

**Fiscal Year 2019
Third Quarter
Results Presentation**



STOCK CODE: 9449

November 12, 2019

1. Overview
2. Financial Results
3. Segment Report
 - i) Group Overview
 - ii) Internet Infrastructure
 - iii) Online Advertising & Media
 - iv) Internet Finance
 - v) Cryptocurrency
4. GMO Aozora Net bank
5. Global Operations

Overview | Executive Summary: Q3 FY2019 (Jul-Sep)

Both revenue and profit were up, driven by significant hike in VC (incubation) after stock sale

(JPY billions)	Q3'18 (Jul-Sep)	Q3'19 (Jul-Sep)	YoY Change	Change
Net Sales	45.8	50.9	+5.08	+11.1%
Operating Profit	5.53	8.97	+3.43	+62.1%
Ordinary Profit	5.17	8.63	+3.46	+67.0%
Net Profit	1.91	2.58	+0.66	+34.6%

Record
high

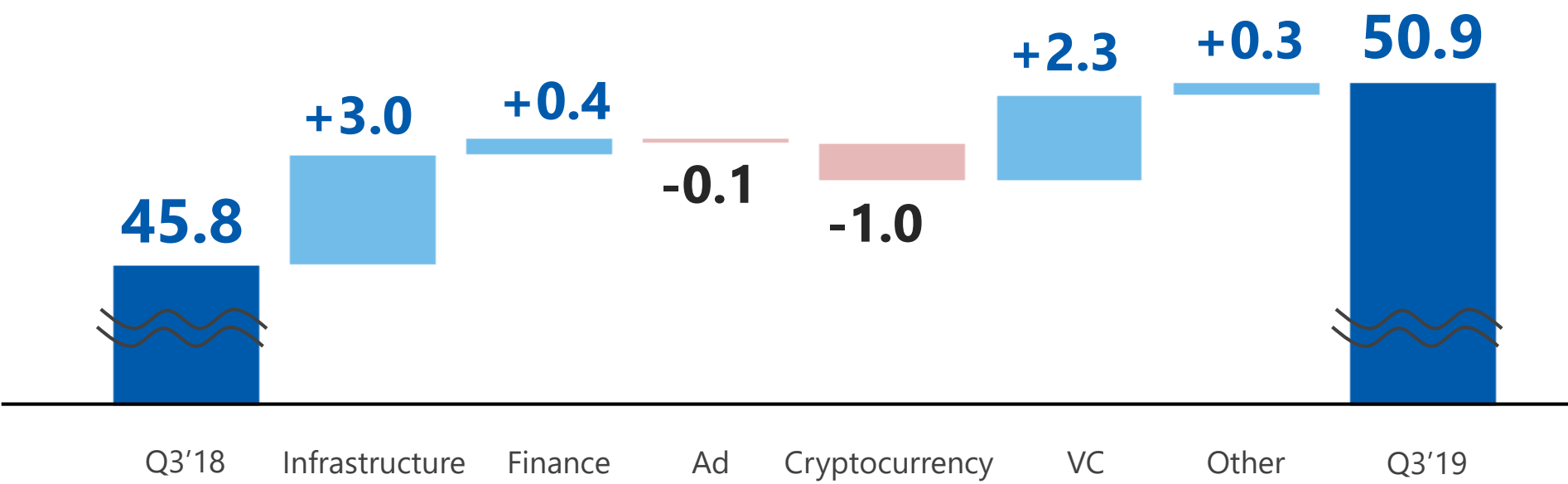
Overview | Highlights: Q3 FY2019 (Jul-Sep)

- Infrastructure: payment and provider performed favorably. Earnings achieved a record high.
- Finance: FX trading volume recovered. Profitability remained high, producing strong profit.
- VC: profitable due to the sale of shares in ChatWork
- Cryptocurrency exchange business: secured certain level of profit despite the reduction in the leverage
- Cryptocurrency mining business: achieved positive figures in Q3. Secured the power supply and the land. Started building data centers. Hash rate is expected to increase at the beginning of 2020.

Overview | Executive Summary: Q3 FY2019 (YoY) (Jul-Sep)

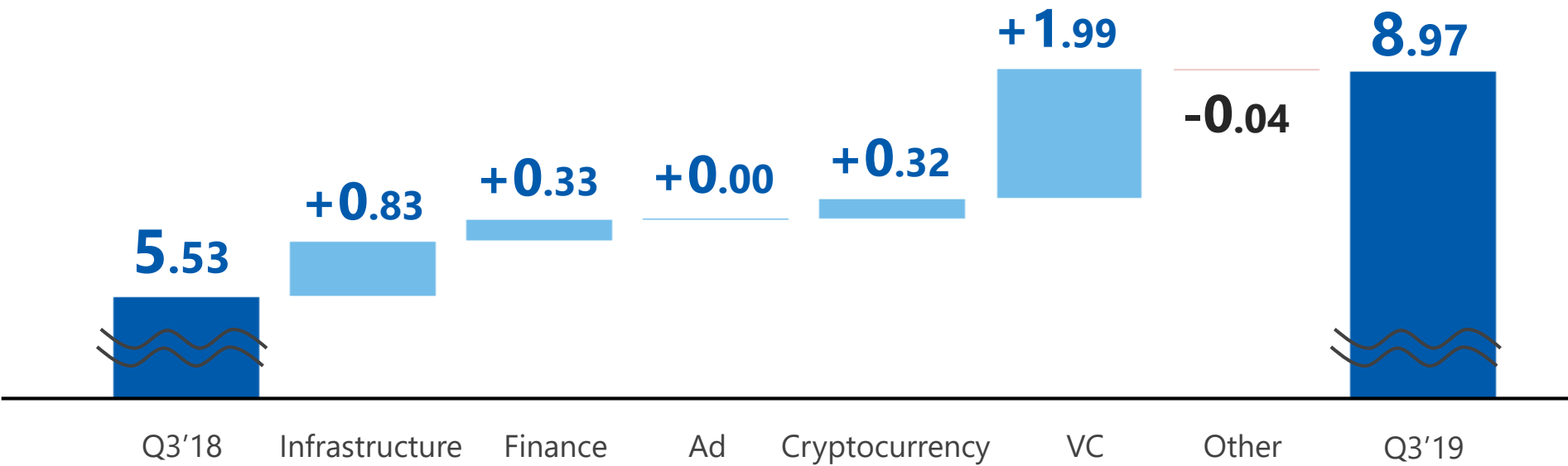
Net sales

(JPY billions)



OP

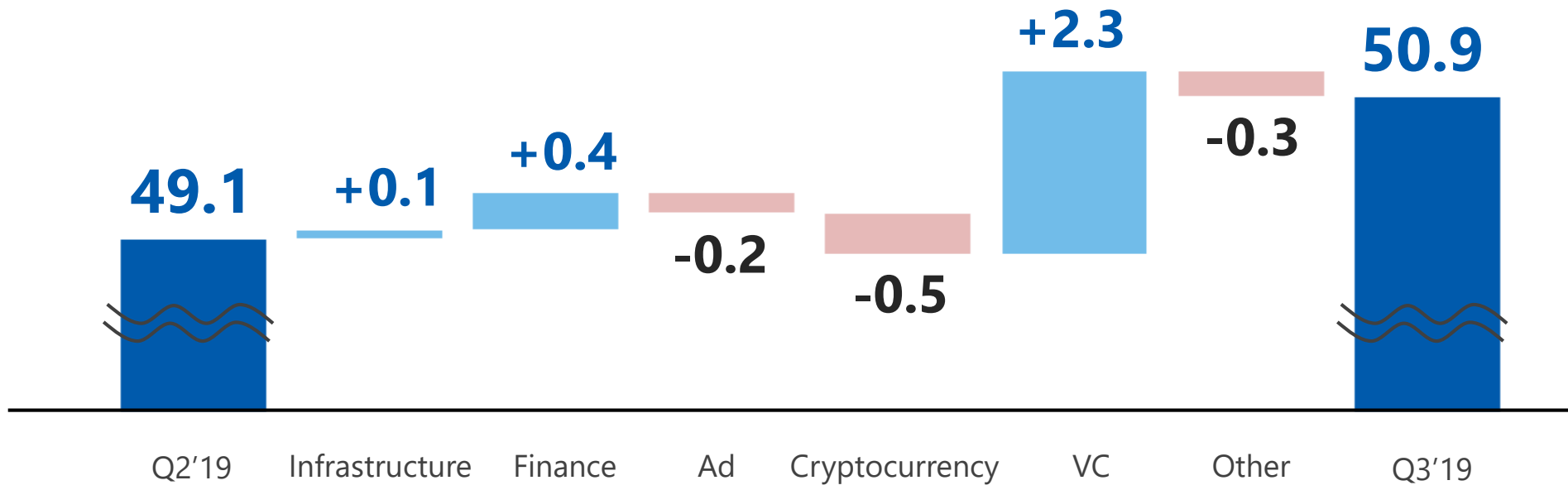
(JPY billions)



Overview | Executive Summary: Q3 FY2019 (QoQ) (Jul-Sep)

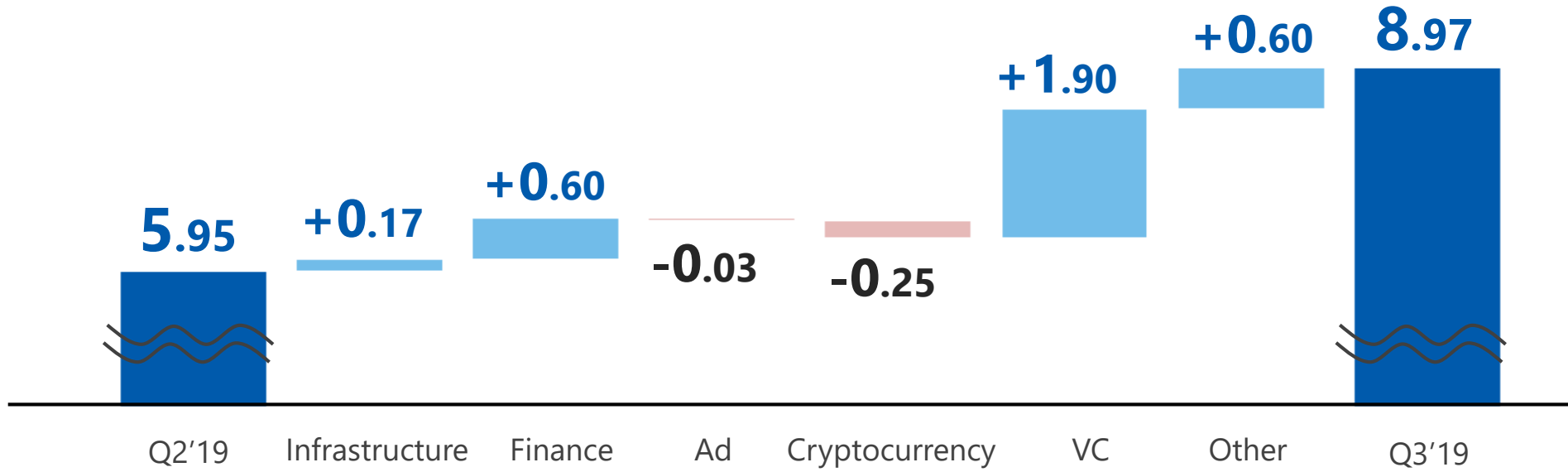
Net sales

(JPY billions)







OP

(JPY billions)



Overview | Segment Summary: Q3 FY2019 (Jul-Sep)

Internet Infrastructure	Net sales	JPY 28.54B	(Up 12.1% YoY)	Record high	
	OP	JPY 3.76B	(Up 28.4% YoY)		
	Profit was up significantly due to the growth in payment and provider, and marketing cost fluctuations				
Online Ad & Media	Net sales	JPY 11.31B	(Down 1.3% YoY)		
	OP	JPY 0.06B	(Up 9.3% YoY)		
	We are struggling due to our weak in-house media, but in-house ad tech products have recovered				
Internet Finance	Net sales	JPY 7.95B	(Up 6.2% YoY)		
	OP	JPY 2.91B	(Up 12.9% YoY)		
	FX trading volume recovered. Profitability remained high, producing strong profit.				
Cryptocurrency	Net sales	JPY 1.57B	(Down 40.0% YoY)		
	OP	JPY 0.42B	(Up 307.5% YoY)		
	Cryptocurrency exchange business secured certain level of profit. Cryptocurrency mining business achieved positive figures due to the restructuring.				

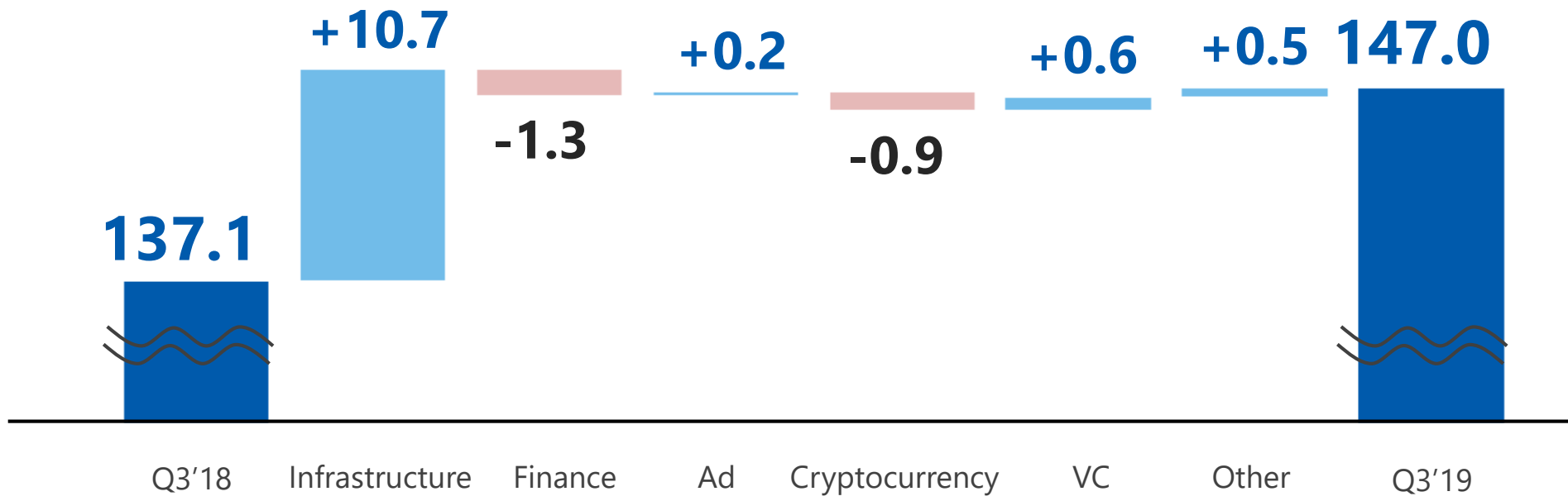
Overview | Executive Summary: Q3 FY2019

(JPY billions)	Q3'18 (Jan-Sep)	Q3'19 (Jan-Sep)	YoY Change	Change	Record high
Net Sales	137.1	147.0	+9.84	+7.2%	
Operating Profit	17.31	19.93	+2.61	+15.1%	
Ordinary Profit	16.50	19.29	+2.78	+16.8%	
Net Profit	6.14	6.61	+0.46	+7.6%	

Overview | Executive Summary: Q3 FY2019 (YoY) (Jan-Sep)

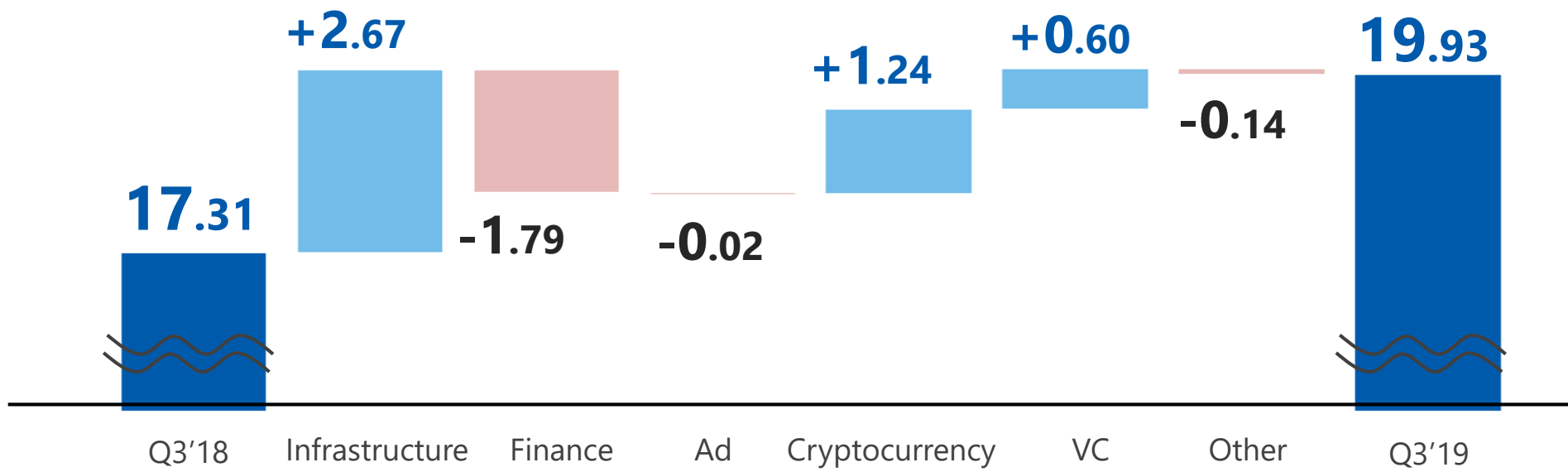
Net sales

(JPY billions)

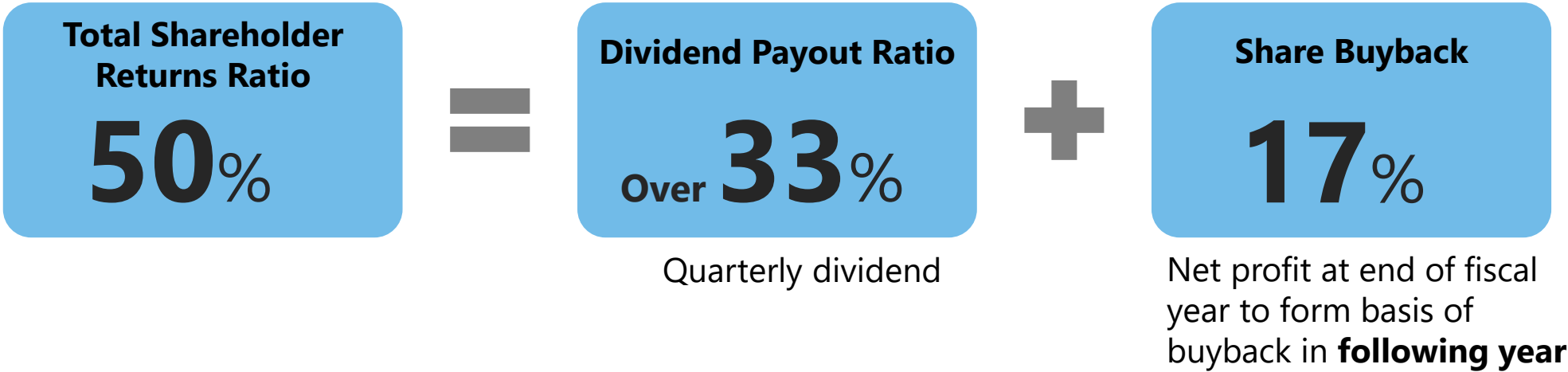


OP

(JPY billions)



Overview | Shareholder Returns (Policy)



Overview | Shareholder Returns (Actual)

	(JPY)	Q1	Q2	Q3	Q4	Annual
Dividend per share	FY2018	6.00	6.20	5.50	11.80	29.50
	FY2019	6.00	6.00	7.20	-	-

Acquisition of
treasury stock

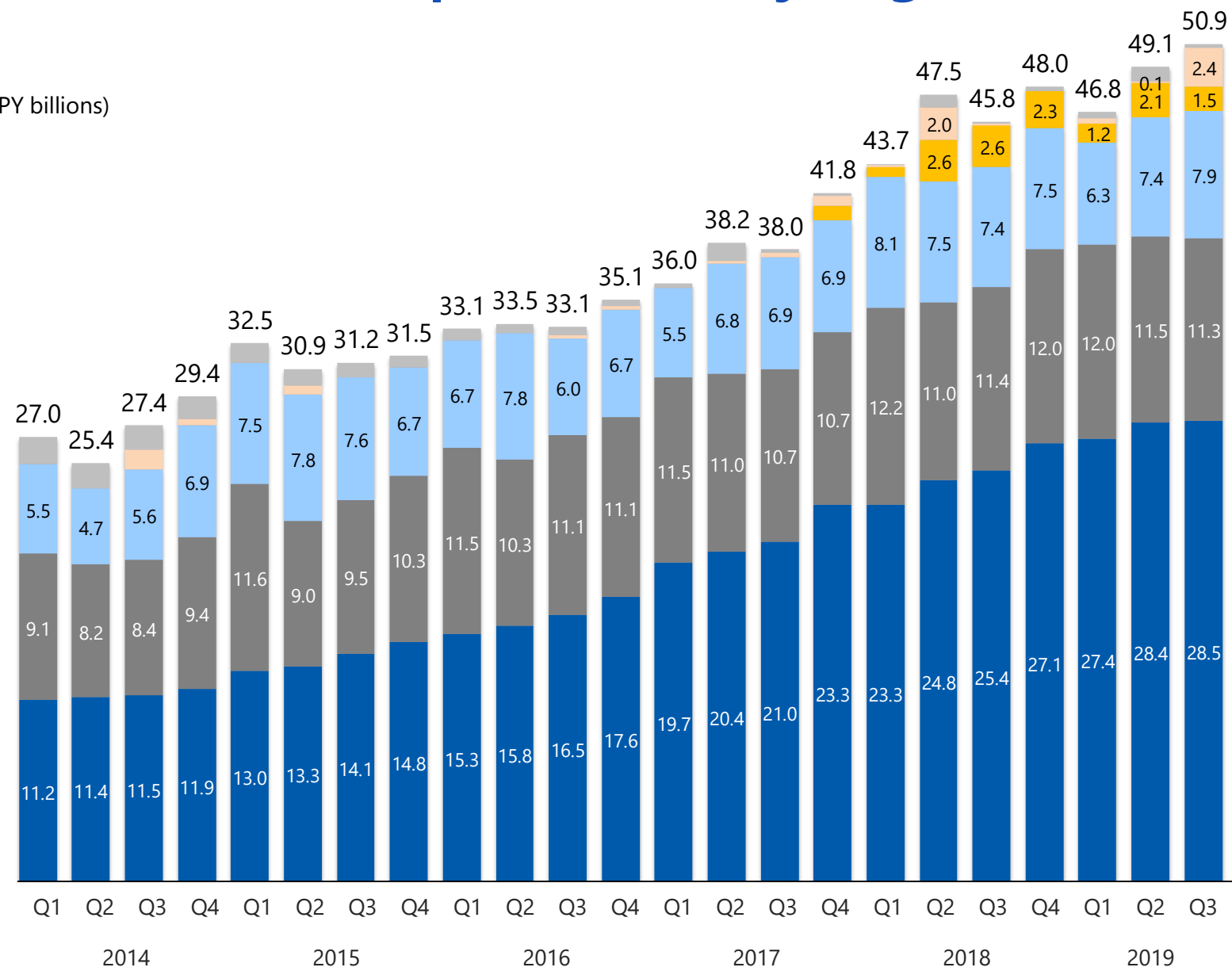
Total Value	JPY 3.11B
No. of Shares Acquired	1.85M

 **Cancellation**

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Financial Results | Net Sales by Segment

(JPY billions)

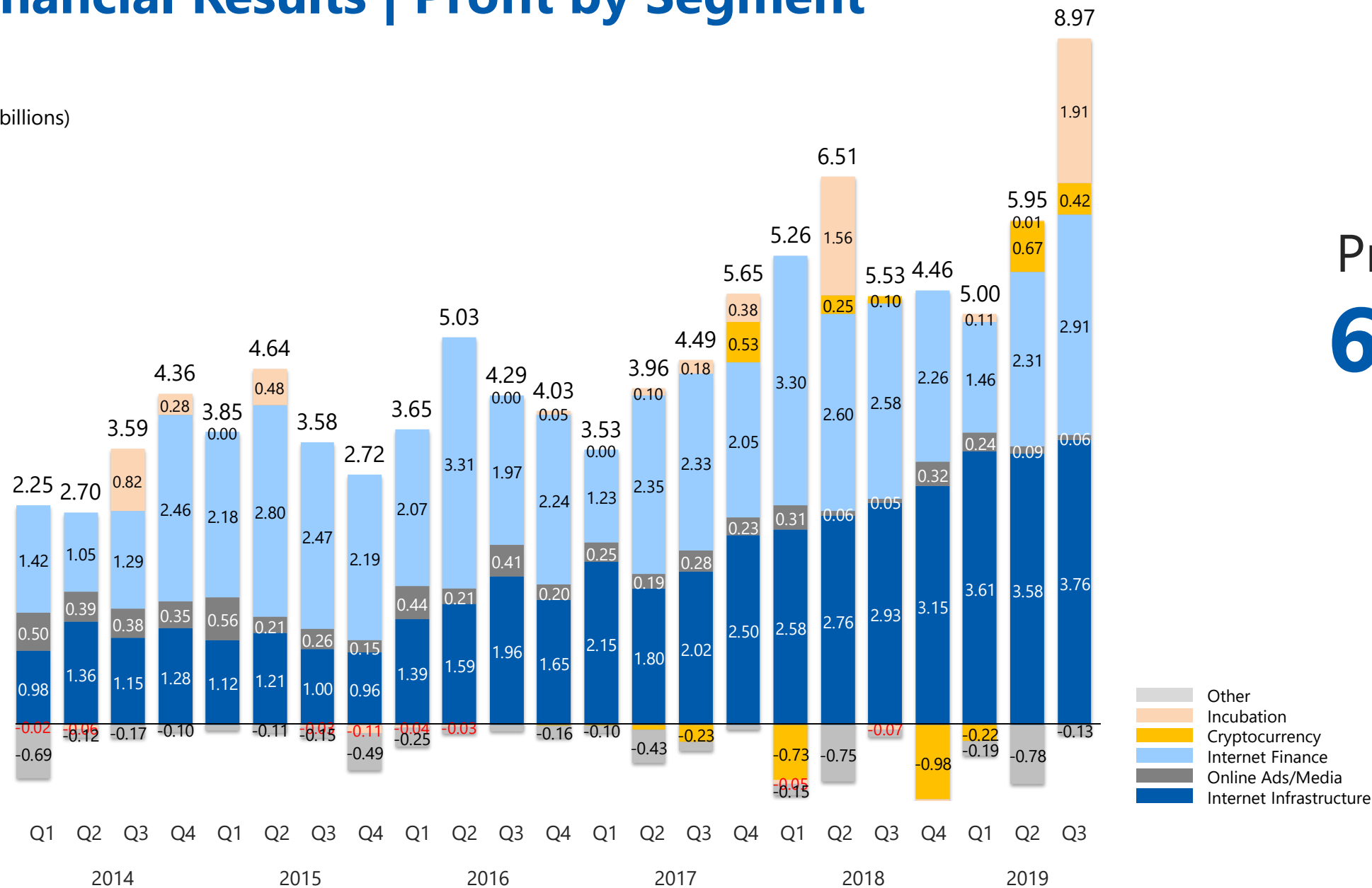


Revenue up
11.1%
YoY

- Other
- Incubation
- Cryptocurrency
- Internet Finance
- Online Ads/Media
- Internet Infrastructure

Financial Results | Profit by Segment

(JPY billions)



Profit up
62.1%
YoY

Financial Results | Consolidated Profit and Loss

(JPY millions)	Q3'18 (1-9/2018)	Q3'19 (1-9/2019)	Change	supplementary information
Net Sales	137,164	147,013	7.2%	
Gross Profit on Sales	67,963	72,155	6.2%	
Operating Profit	17,318	19,930	15.1%	
(OP Margin)	12.6%	13.6%	+0.9pt	
Non Operating Profit and Loss	-808	-638	-	Loss on equity method investment: -667M
Ordinary Profit	16,509	19,291	16.8%	
Extraordinary Profit or loss	579	-537	-	
Profit before Tax	17,088	18,753	9.7%	
Corporate Taxes etc.	6,520	6,022	-7.6%	
non-controlling interests	4,419	6,115	38.4%	
Profit attributable to Owners of the Parent	6,149	6,615	7.6%	

Financial Results | Consolidated Balance Sheet

(JPY millions)	End of 12/2018	End of 9/2019	Change	GMO Financial HD (End of 9/2019)	Change
Current Assets	710,532	768,155	57,623	578,926	62,258
Cash & Deposits	144,096	147,361	3,264	58,383	18,740
Fixed Assets	41,922	44,966	3,044	7,680	-384
Goodwill	1,843	1,097	-746	489	-122
Software	5,818	6,592	773	1,560	8
Investment Securities	7,617	7,905	288	2,830	-101
Total Assets	752,454	813,122	60,667	586,607	61,874
Liabilities	656,033	711,372	55,339	549,455	60,635
Interest-bearing debts	111,175	134,806	23,630	81,643	15,131
Net Assets	96,421	101,749	5,327	37,151	1,238
Non-controlling Minority Equity	43,920	49,155	5,234	1,117	154
Shareholders' Equity	52,422	52,509	86	36,034	1,084
Earned Surplus	14,678	18,565	3,887	33,646	2,624
(Shareholders' Equity Ratio)	7.0%	6.5%	-0.5pt	6.1%	-0.5pt
Liabilities/Net Assets Total	752,454	813,122	60,667	586,607	61,874

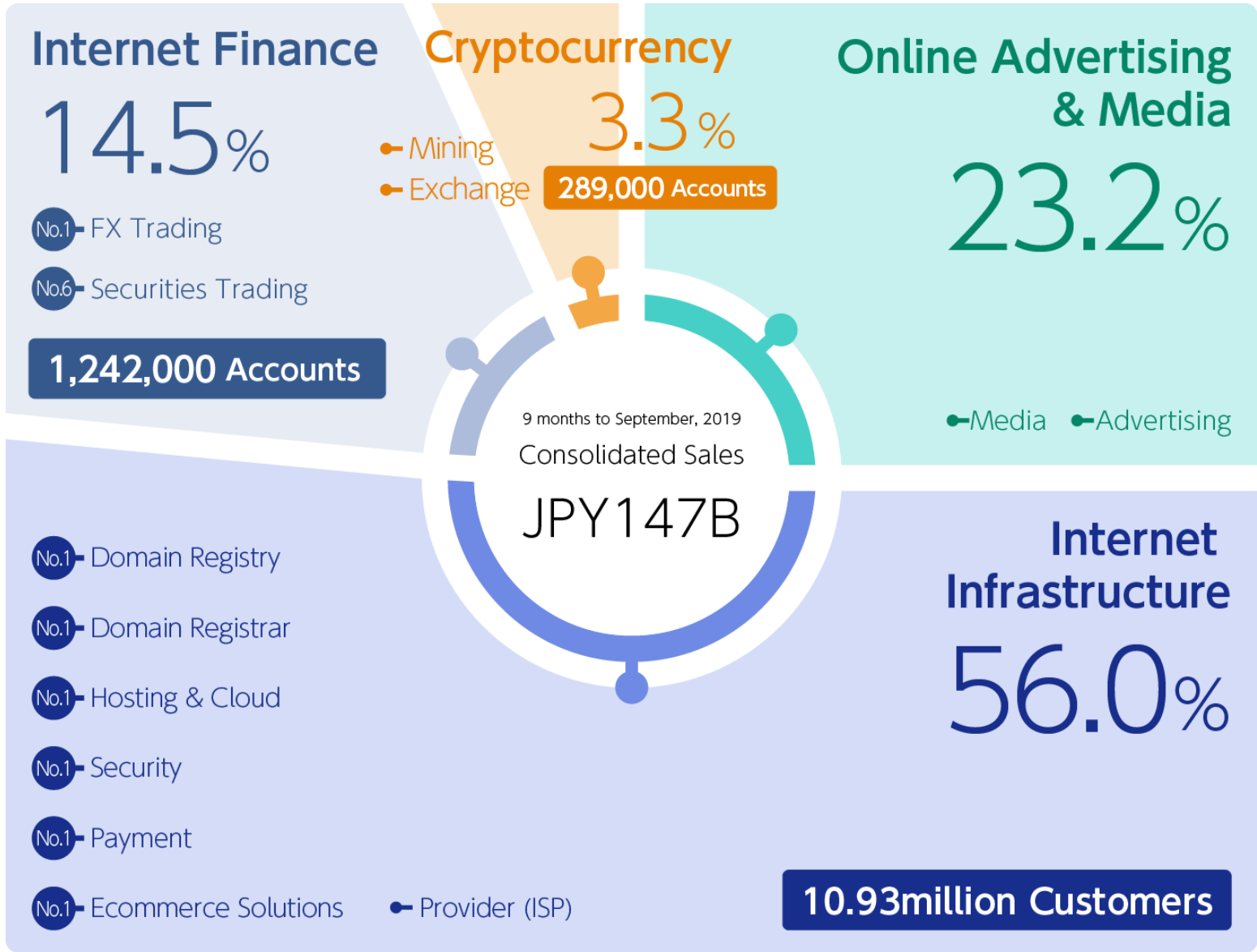
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Group Overview | Listed Group Companies: Equity Share

Stock Code	Stock Name	Exchange	Market Cap ^{*1} (JPY billions)	% Ownership ^{*2}	Equity Share (JPY billions)
9449	GMO Internet	TSE 1	225.0		
3769	GMO Payment Gateway	TSE1	581.0	42.4%	246.3
7177	GMO Financial Holdings	TSE JQS	71.2	63.1%	44.9
3788	GMO CLOUD	TSE1	33.3	51.8%	17.2
3633	GMO Pepabo	TSE JQS	13.0	65.0%	8.4
4784	GMO AD Partners	TSE JQS	6.7	56.4%	3.7
3695	GMO Research	TSE MOTHERS	3.1	54.9%	1.7
6180	GMO Media	TSE MOTHERS	2.7	65.3%	1.8
6026	GMO TECH	TSE MOTHERS	2.1	54.1%	1.1
Group Total			938.4 ^{*3}		325.5

*1 Market value as of 11/11/2019
 *2 Includes indirect holdings (as of the end of September)
 *3 Calculated as the sum of the listed market cap values

Group Overview | Business Segments (Composition)



Solid revenue base

12.46M customers

(Infrastructure and Finance)

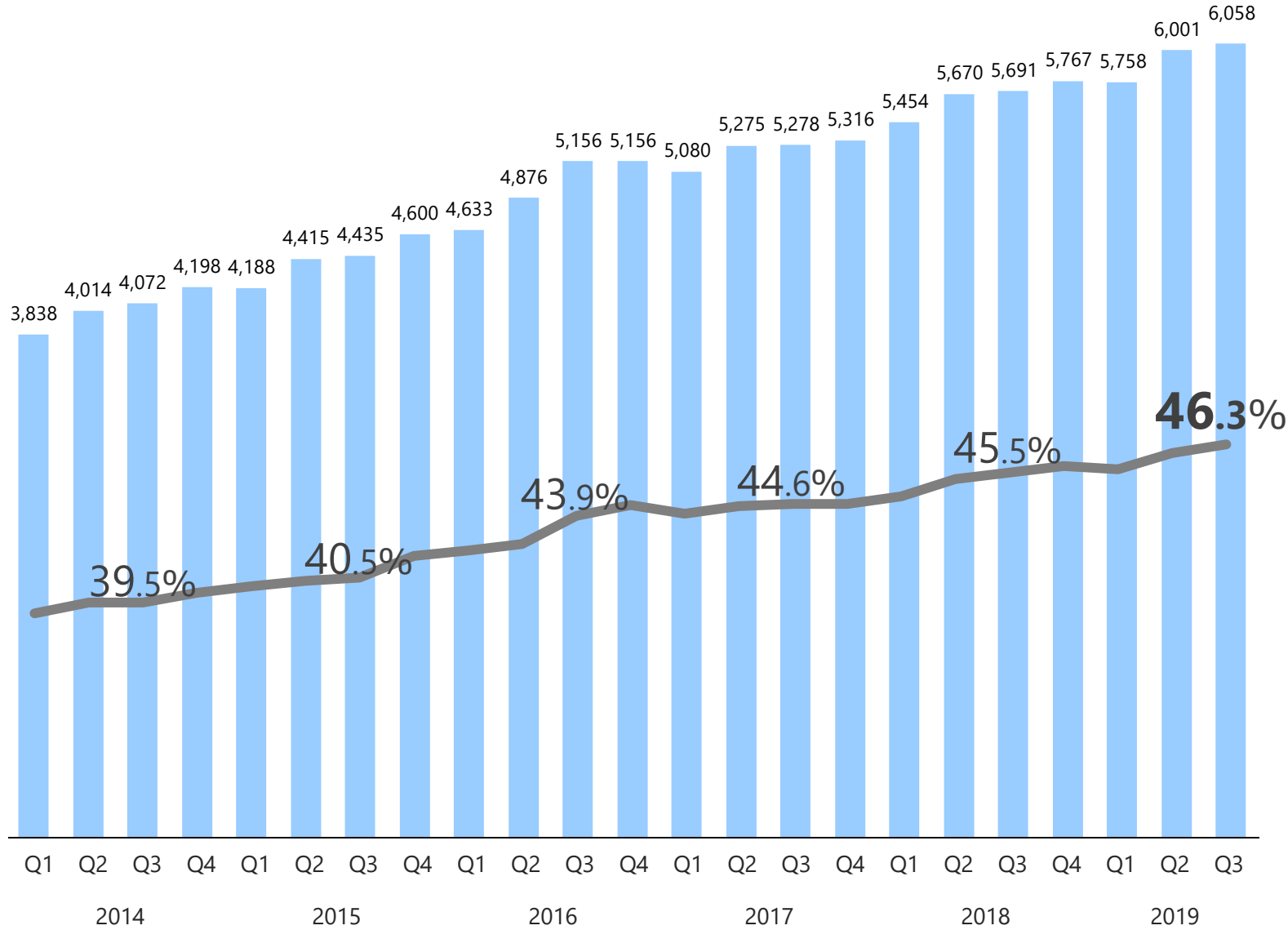
Up

1.55M

YoY

*Net sales ratio is calculated based on the numbers before cancelling inter-segment transactions. *12.46M is an aggregate number of customers (the actual number) in Infrastructure, Finance, and Cryptocurrency segments.
*Regarding Internet Finance, the number of accounts does not include GMO Aozora Net Bank's accounts.

Group Overview | Strengths: Technology



Goal: Workforce of
over **50%**
engineers

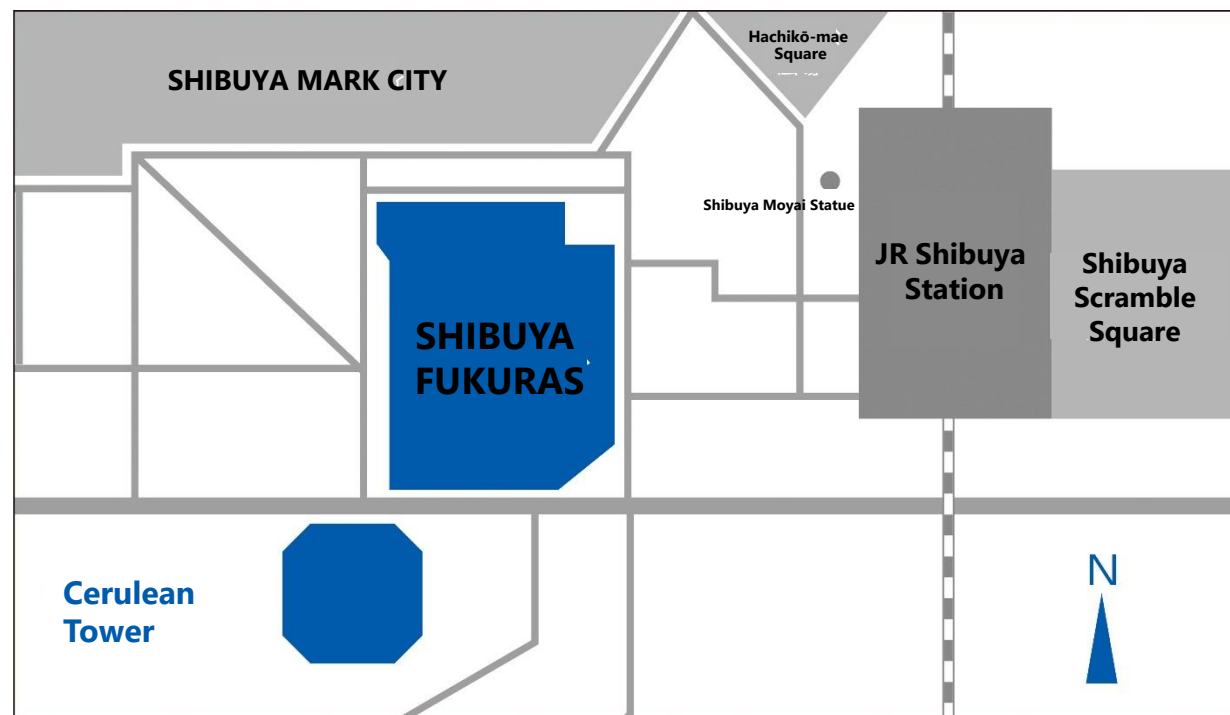
Partners
% Engineers

Group overview | Increase our technological strengths



Move into SHIBUYA FUKURAS (the 2nd group headquarter) in mid-November

- GMO Payment Gateway
- GMO Financial Holdings
- GMO AD Partners
- GMO Commerce
- GMO Aozora Net Bank



Hold events for engineers and creators

December 2019

✓ **Seminar, meetup, workshop, etc.**

Weekly

Q2 2020 (plan)





✓ **Massive Tech Conference** (tentative)

Annual

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Internet Infrastructure | Segment Composition

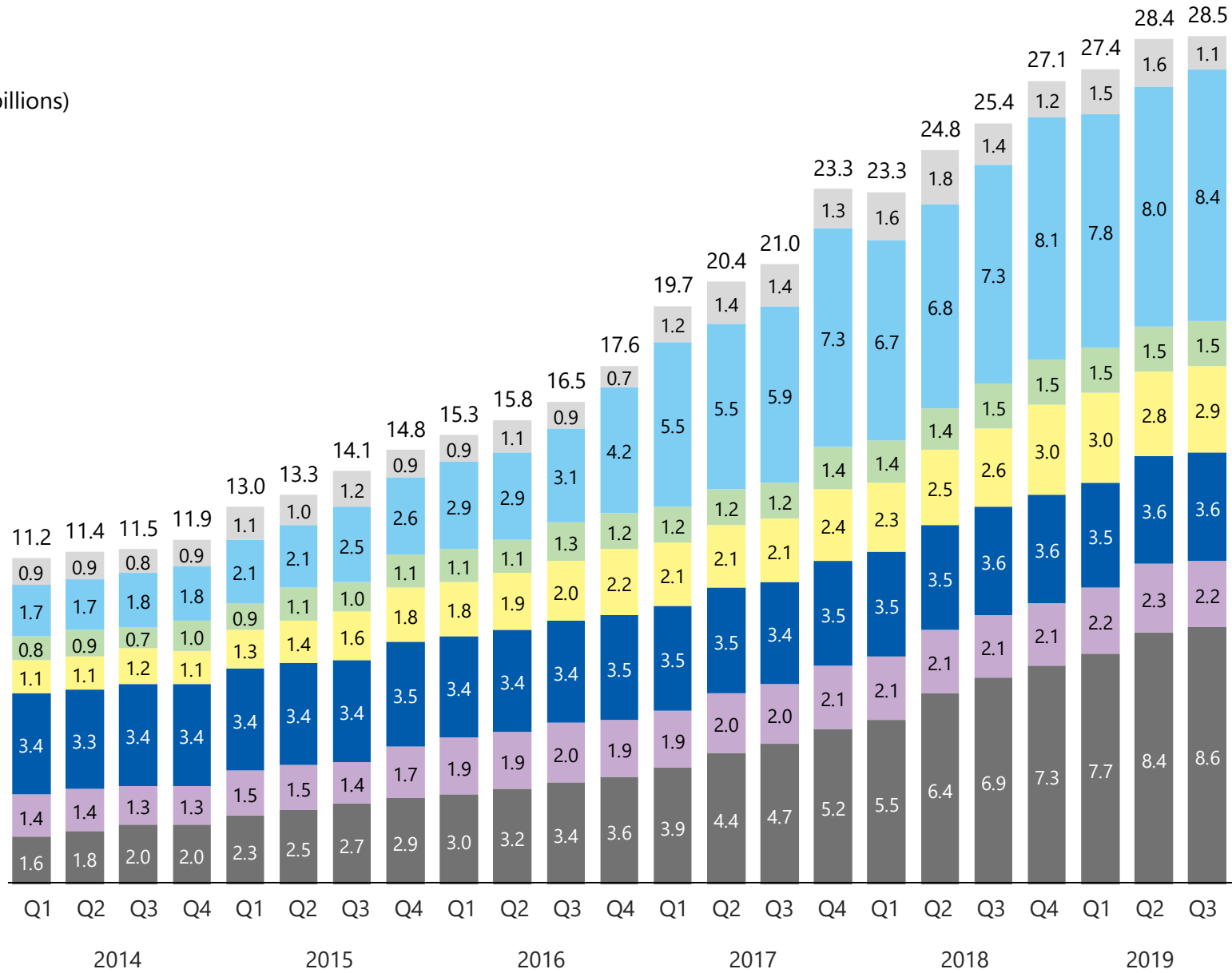
- Strong No. 1
- Strong No. 1
- No. 1
- No. 1
- No. 1
- No. 1
- No. 1

Domain Registry	GMO REGISTRY GMO BrightsConsulting	Domestic market share at 87.4% ^{*1}
Domain Registrar	  	Domestic market share at 87.3% ^{*2}
Hosting & Cloud	     	Domestic market share at 57.1% ^{*3}
Ecommerce	 	70,307 paid stores
Security		Domestic market share at 50.5% ^{*4}
Payment	GMO PAYMENT GATEWAY GMO EPSILON	111,425 merchants
Provider (ISP)		Optic Internet service domestic market share (2018) at 55.0% ^{*5}

^{*1} Based on our own data ^{*2} Based on ICANN data ^{*3} Based on Webhosting.info data ^{*4} Country code ^{*5} Market share = Our net increase / total net increase in Japan. Source: "Announcement of Quarterly Data on the Number of Telecommunications Service Subscriptions and Market Share (FY2018 Q3 (End of December))" by Ministry of Internal Affairs and Communications

Internet Infrastructure | Net Sales by Sub-Segment

(JPY billions)



Revenue up

12.1%

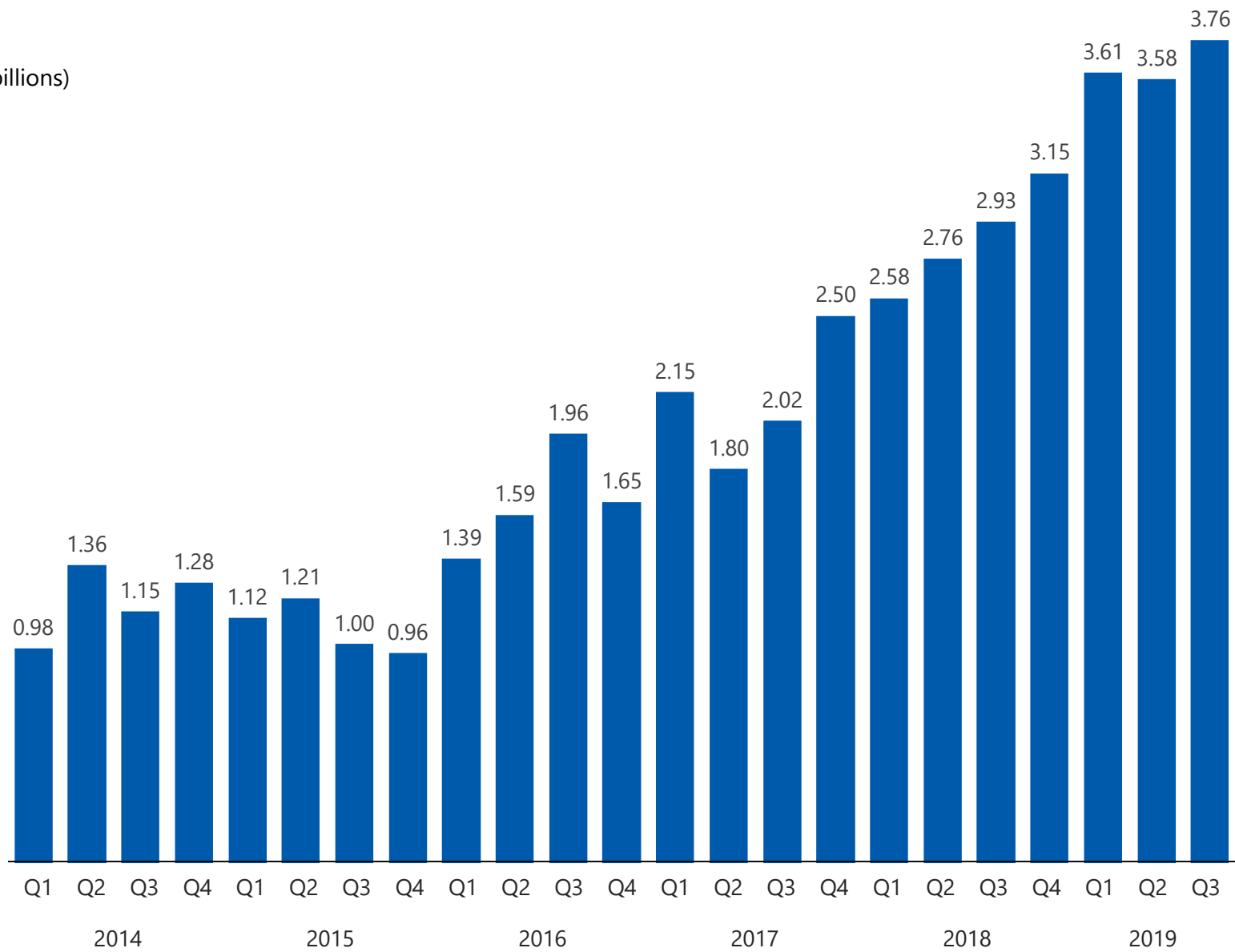
YoY



- Other
- Payment
- Security
- Ecommerce Solutions
- Hosting & Cloud
- Domain
- Provider

Internet Infrastructure | Operating Profit

(JPY billions)

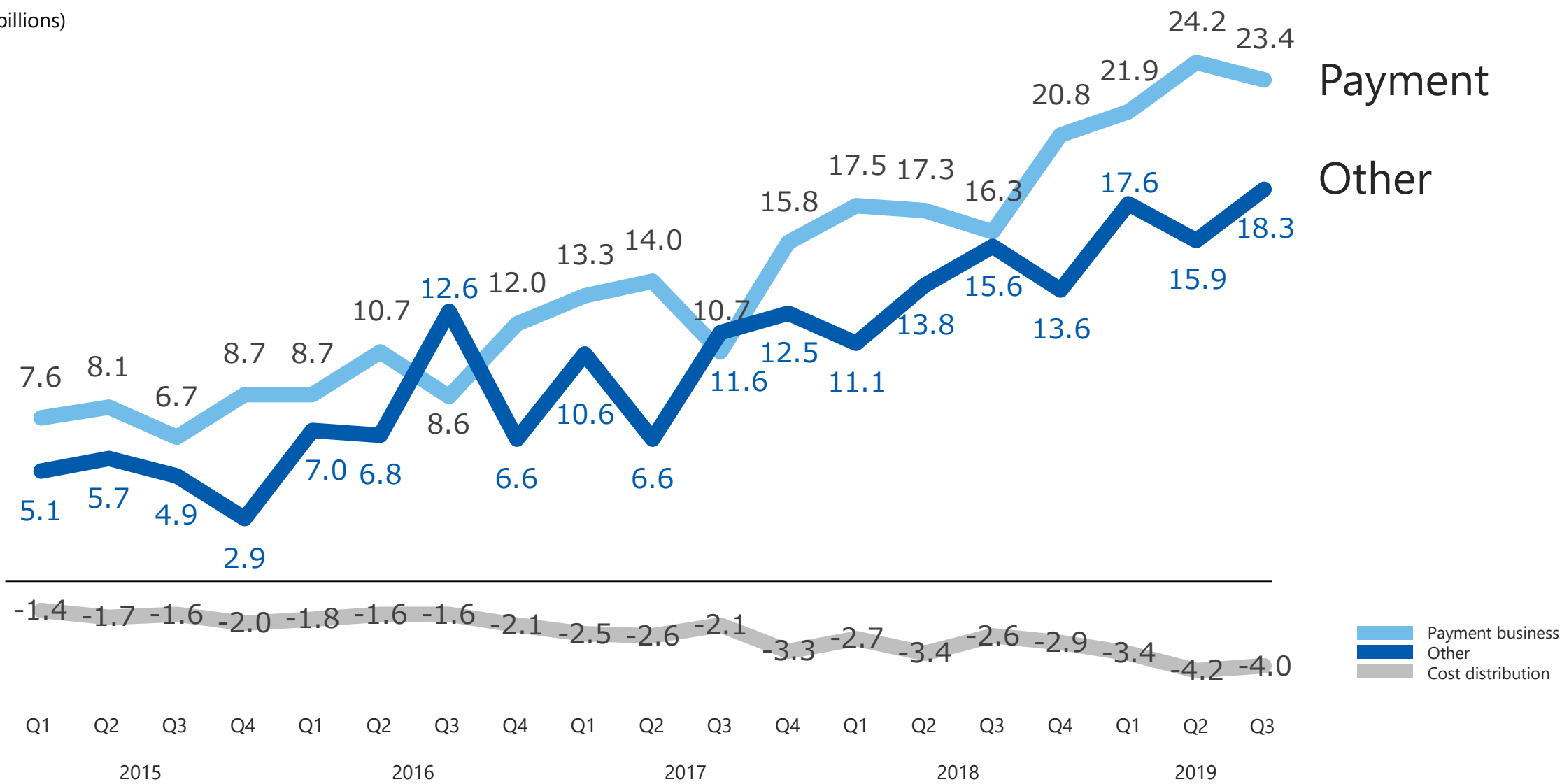


Profit up
28.4%
YoY



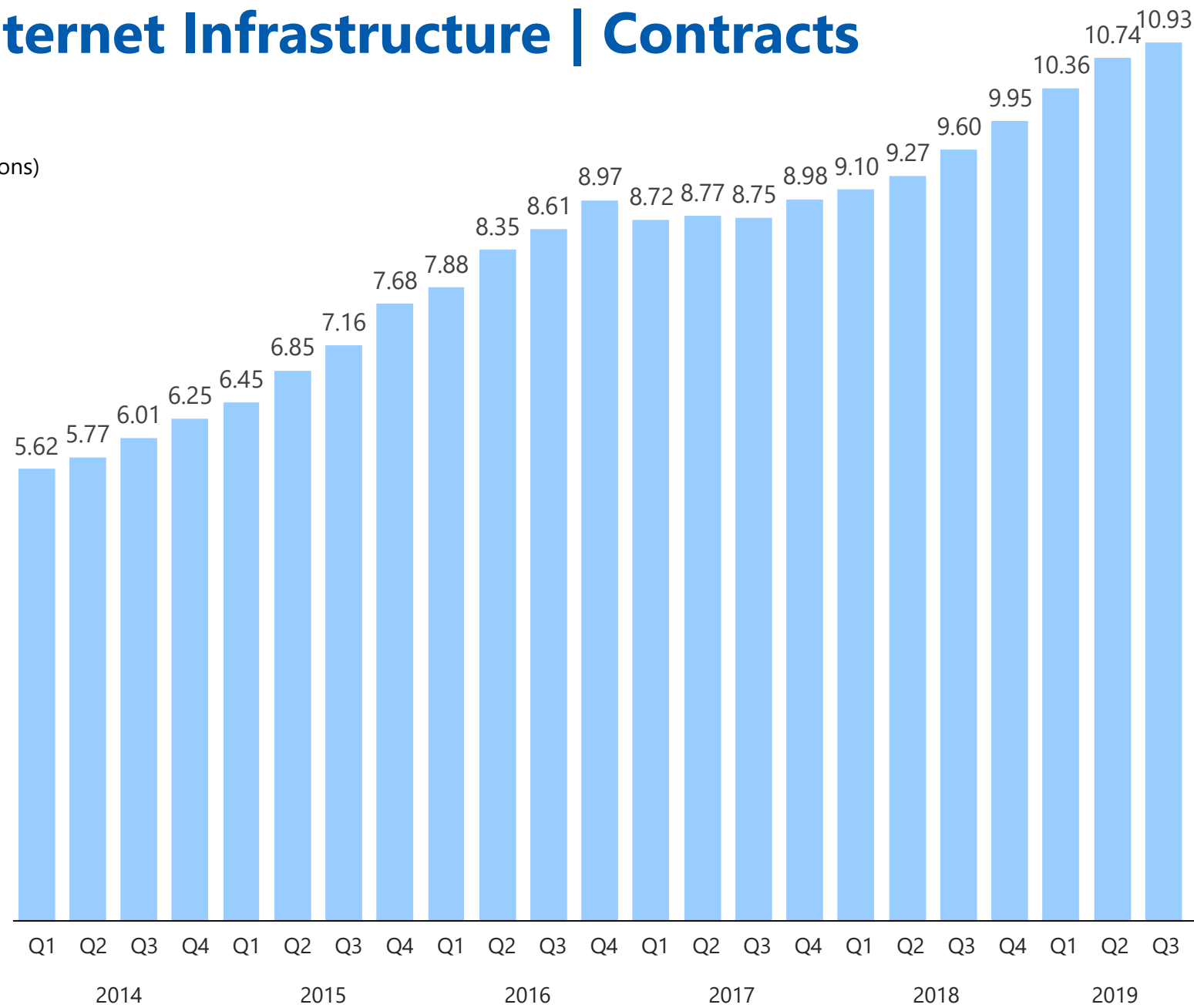
Internet Infrastructure | Breakdown of Operating Profit

(JPY billions)



Internet Infrastructure | Contracts

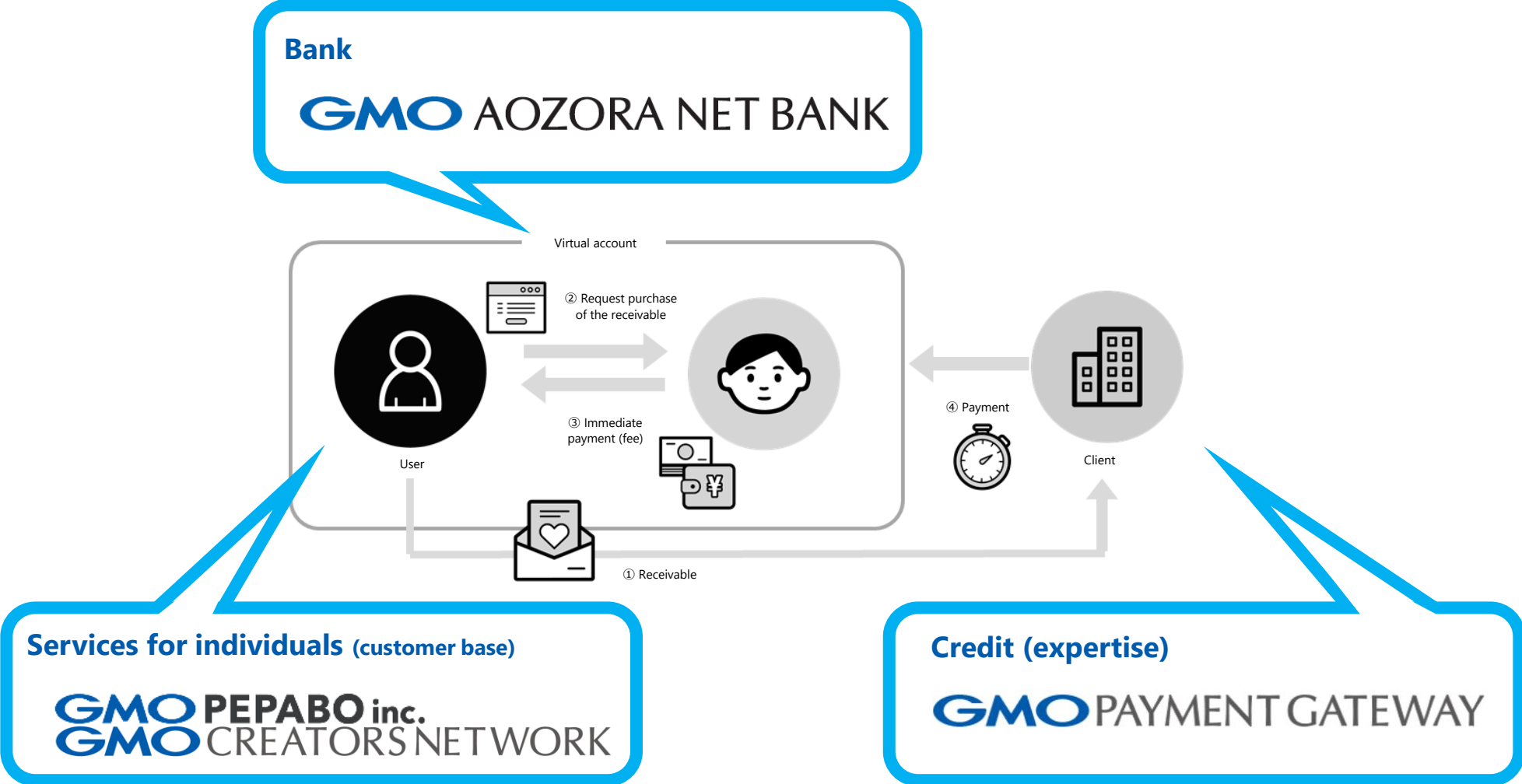
(millions)



Solid revenue base
10.93M
customers

Internet Infrastructure | Infrastructure and Finance: FREENANCE

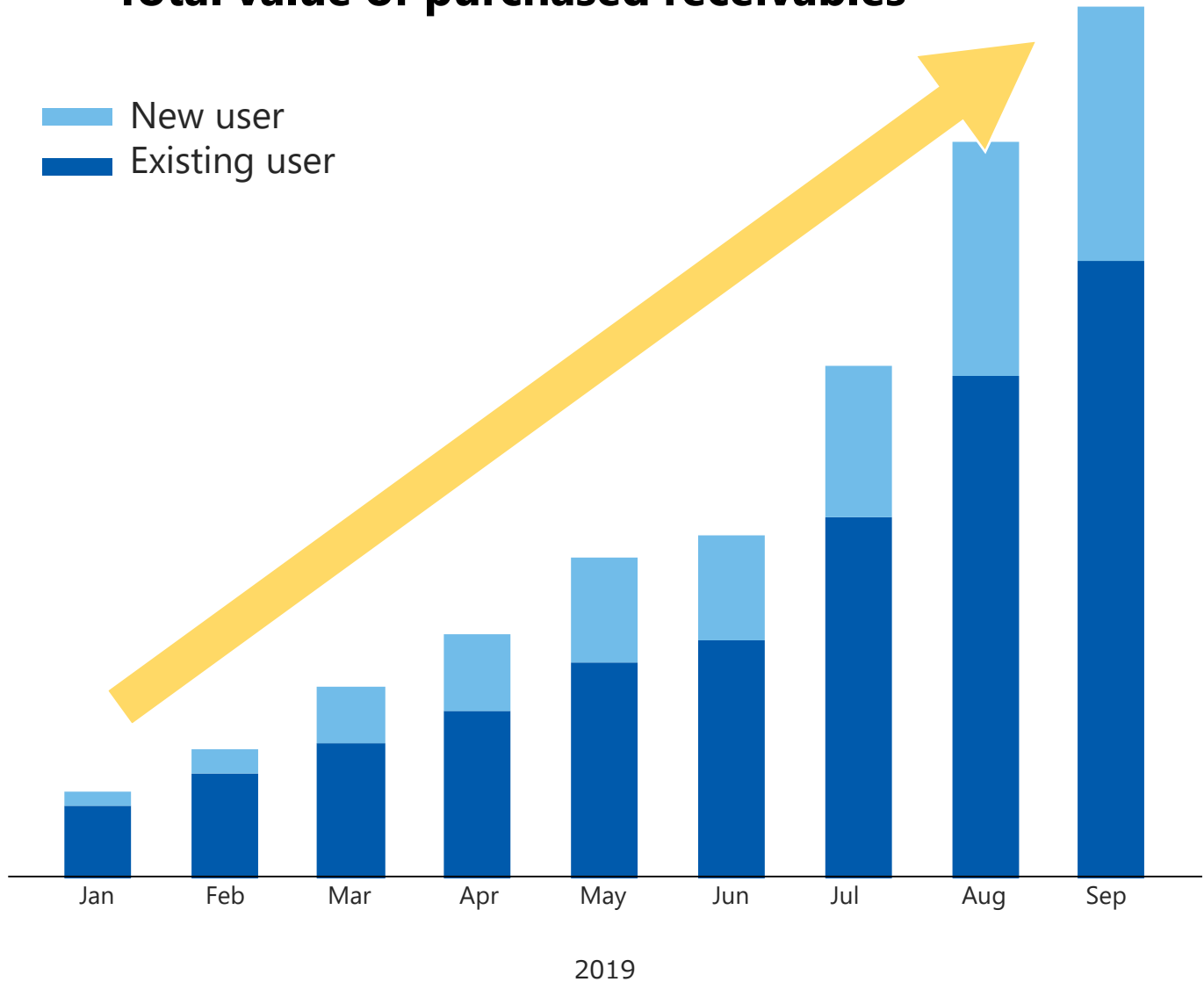
Providing new financial services and values through group synergies



The Company created the above diagram based on GMO Pepabo's "Fiscal Year 2019 2nd Quarter Results Presentation" published on August 1, 2019.



Total value of purchased receivables



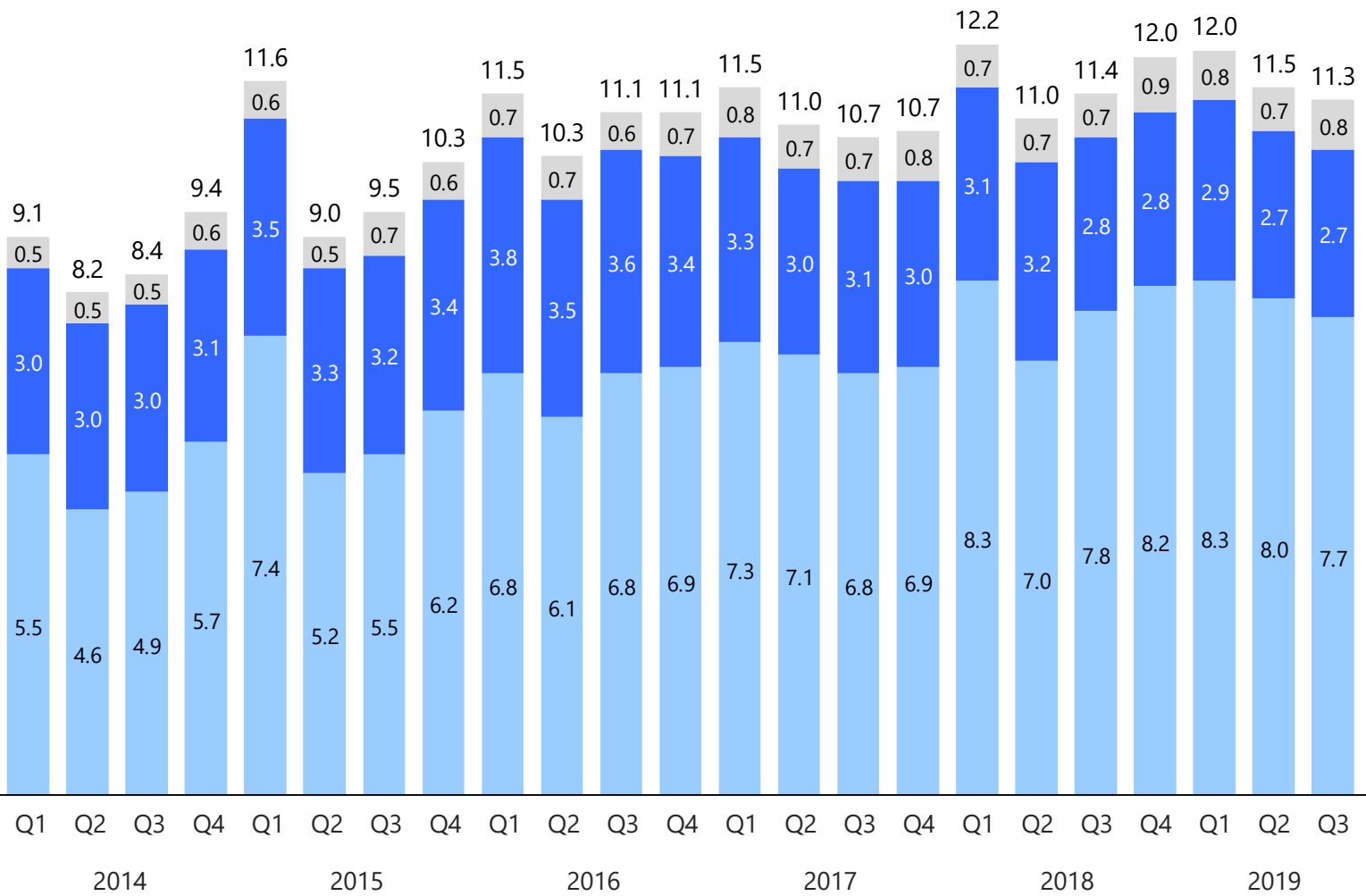
Approximately
10_x
since the beginning of 2019


Short-term prospects	Maintain high growth rate by further enhancing No. 1 products and pursuing synergies between all products
Mid- to long-term strategies	Accelerate growth through the combination of the solid revenue base and finance

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Online Advertising & Media | Net Sales

(JPY billions)

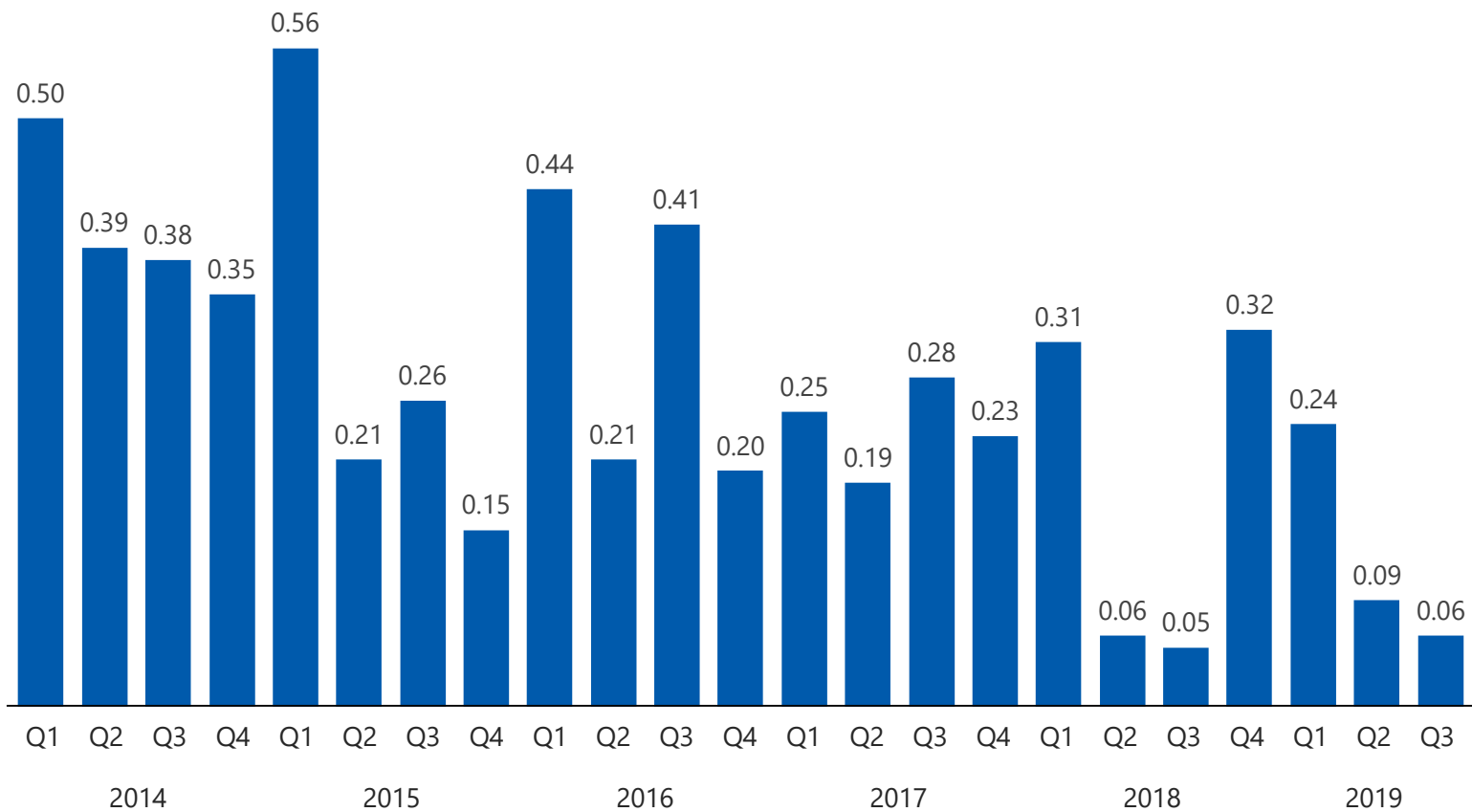


Revenue down
1.3%
YoY


- Internet Research/Other
- Internet Media
- Online Advertising

Online Advertising & Media | Operating Profit

(JPY billions)



Profit up

9.3%

YoY



Short-term prospects

- Advertising: in-house ad technology products are gradually recovering their trend by optimizing ad placement standards
- Media: enhancing in-house media

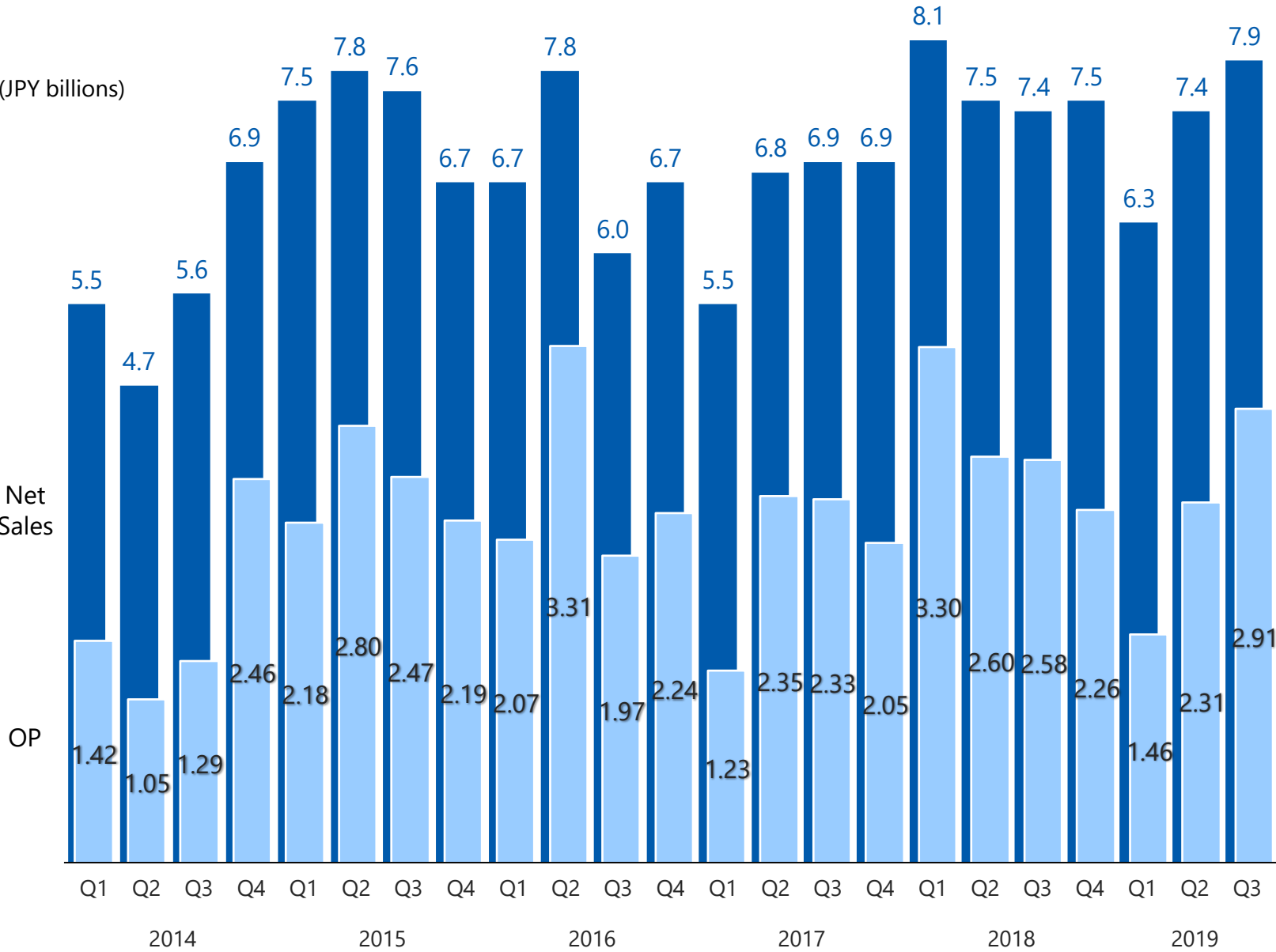
Mid- to long-term strategies

- Continue to enhance in-house products

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Internet Finance | Historical Performance by Quarter

(JPY billions)



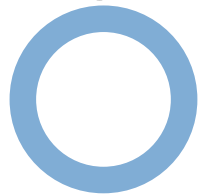
Revenue up

6.2%

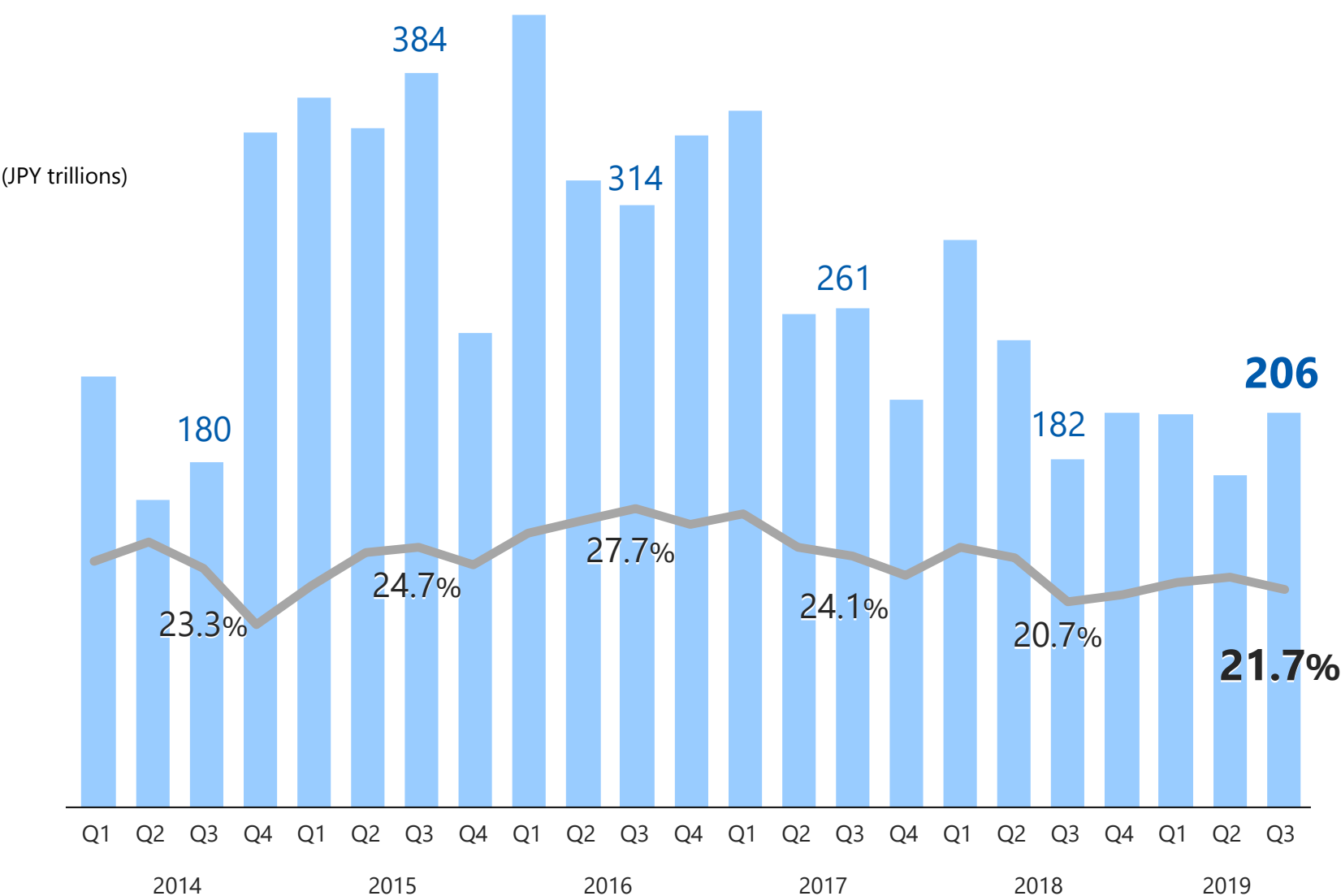
Profit up

12.9%

YoY



Internet Finance | FX Trading Volume



No.1 annual FX trading volume worldwide for **7th** consecutive year

Trading volume
Share

Prepared based on Results Presentation of GMO Financial HD for Q3 of FY2019 and “Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading” published by the Financial Futures Association of Japan (FFAJ)

Short-term prospects

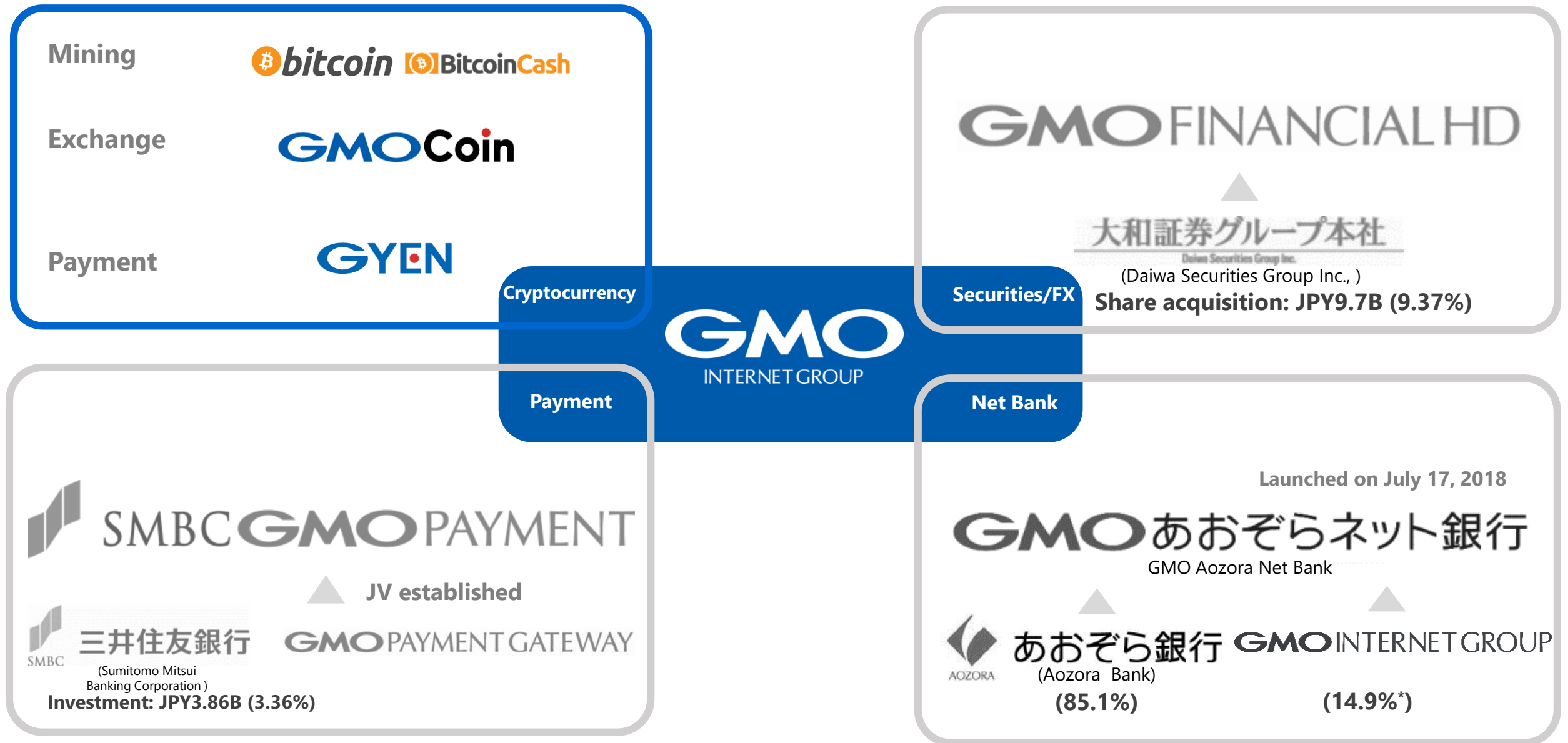
- FX: reduced dollar-yen spreads to expand the market share. Continue to put effort into improving profitability.
- Non-FX: enhance CFD, which will grow to become a new pillar of profit

Mid- to long-term strategies

- FX: launched long-term project to significantly improve our FX profitability
- Non-FX: respond more flexibly to market by expanding our product base

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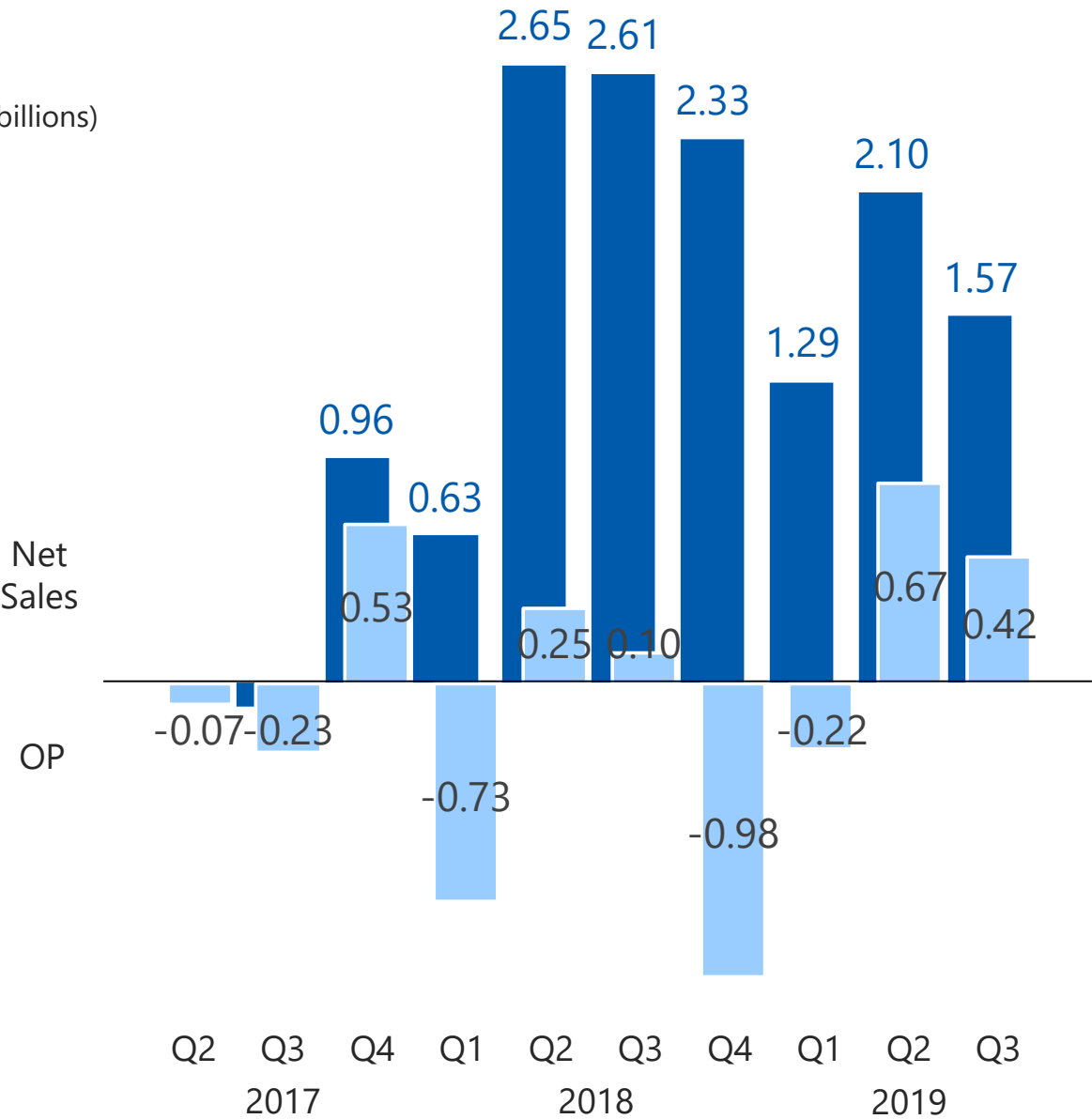
Finance, Payment, and Cryptocurrency



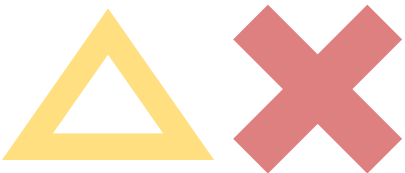
* Upon obtaining necessary authorization from the relevant authority to become a major shareholder of GMO Aozora Net Bank, the GMO group companies may increase the ratio of voting rights to 50%.

Cryptocurrency business | Historical performance by quarter

(JPY billions)

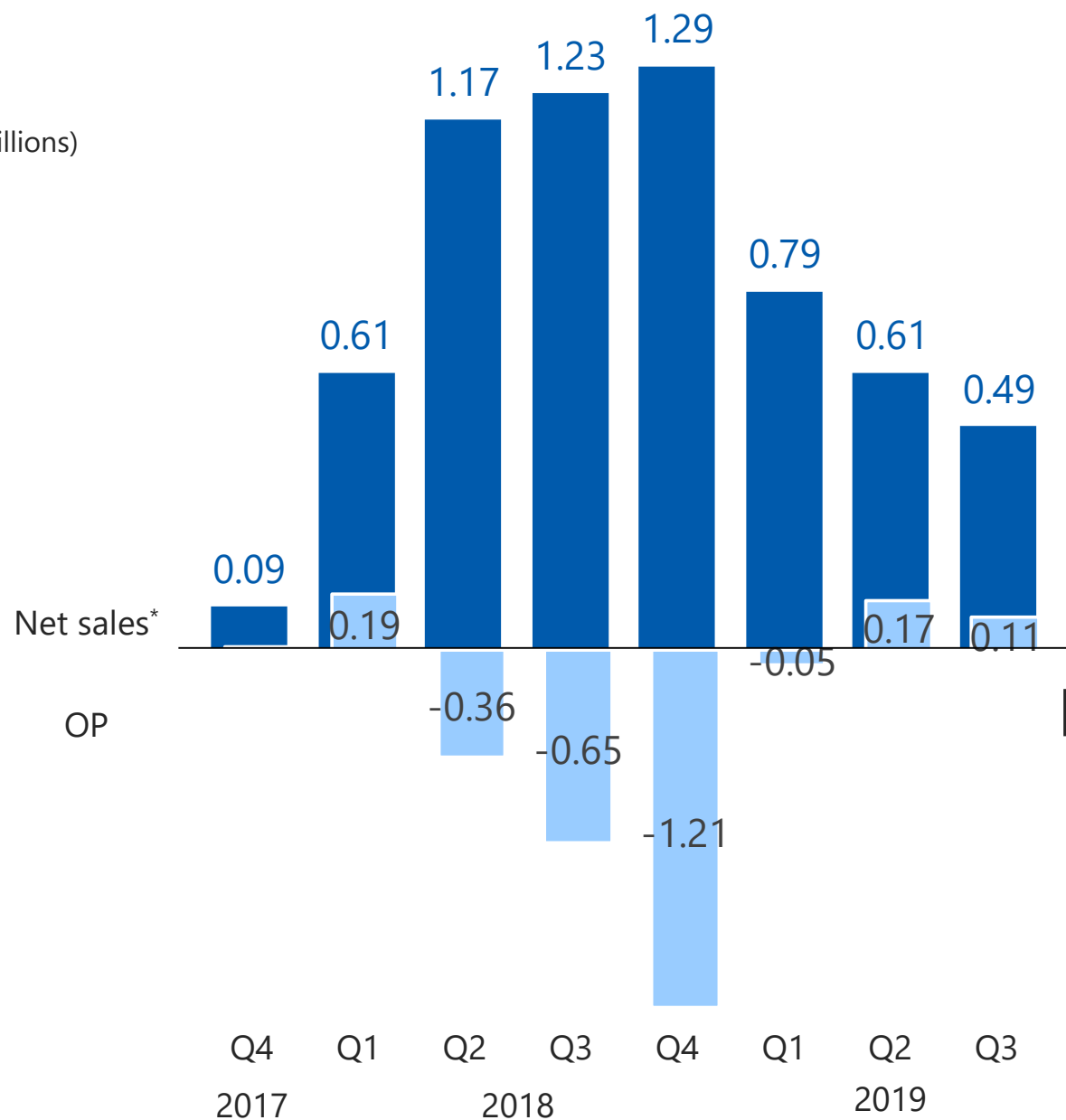


Revenue and profit
were down QoQ



Cryptocurrency mining business | Historical performance by quarter

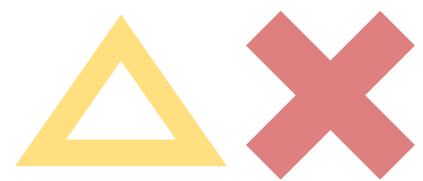
(JPY billions)



Relocation of mining centers:
transition period



Revenue and profit were down QoQ

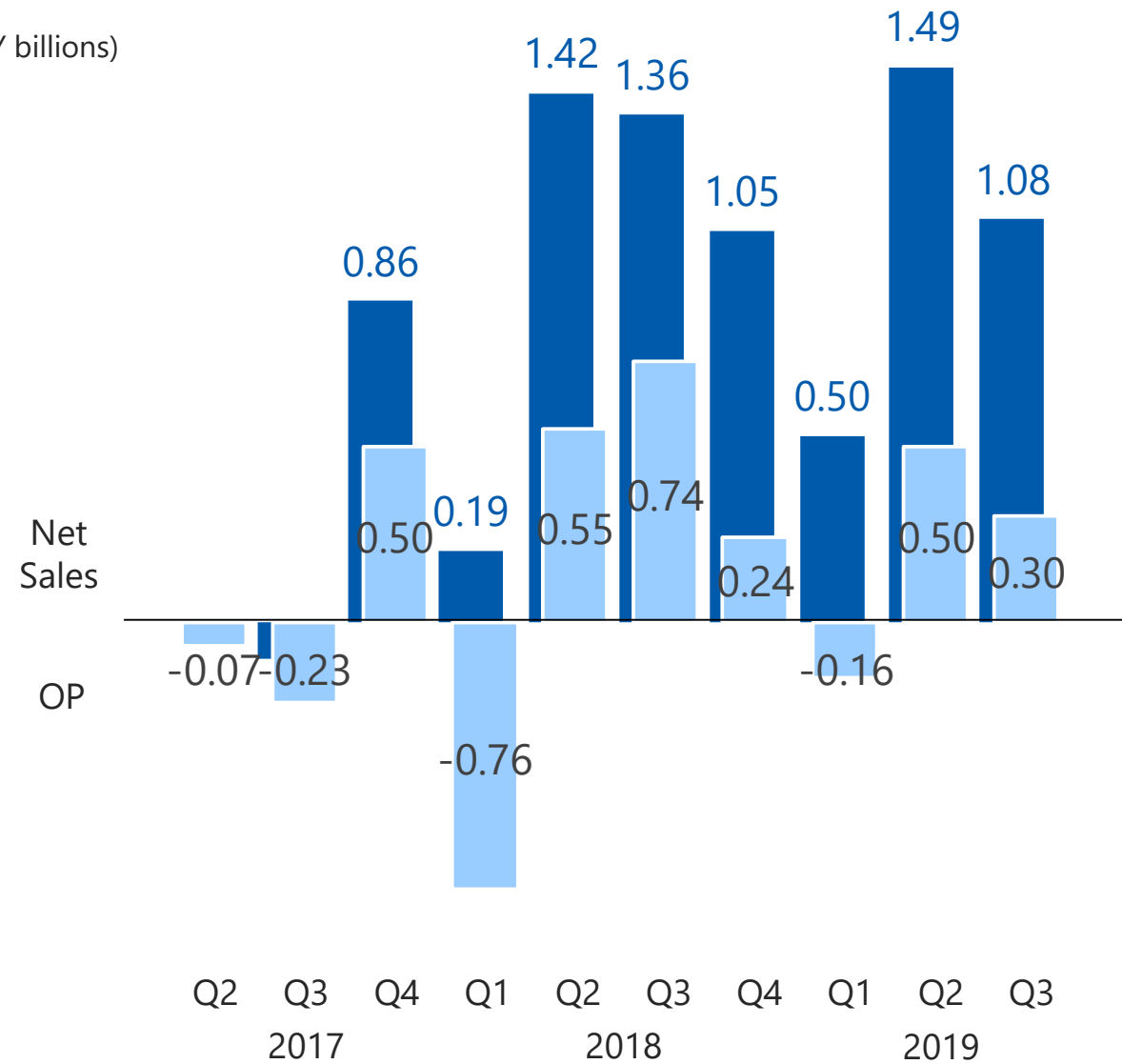


*Gross figure including revaluation gain (loss) of cryptocurrency, which was -0.16B in Q1 FY2018, +0.06B in Q2 FY2018, +0.01B in Q3 FY2018, -0.01B in Q4 FY2018, -0.00B in Q1 FY2019, -0.00B in Q2 FY2019, and -0.00B in Q3 FY2019.

Cryptocurrency Exchange business | Historical performance by quarter



(JPY billions)



Drop in trading volume.
Reduction in leverage.



**Revenue and profit were
down QoQ**



Cryptocurrency | Summary

Short-term prospects

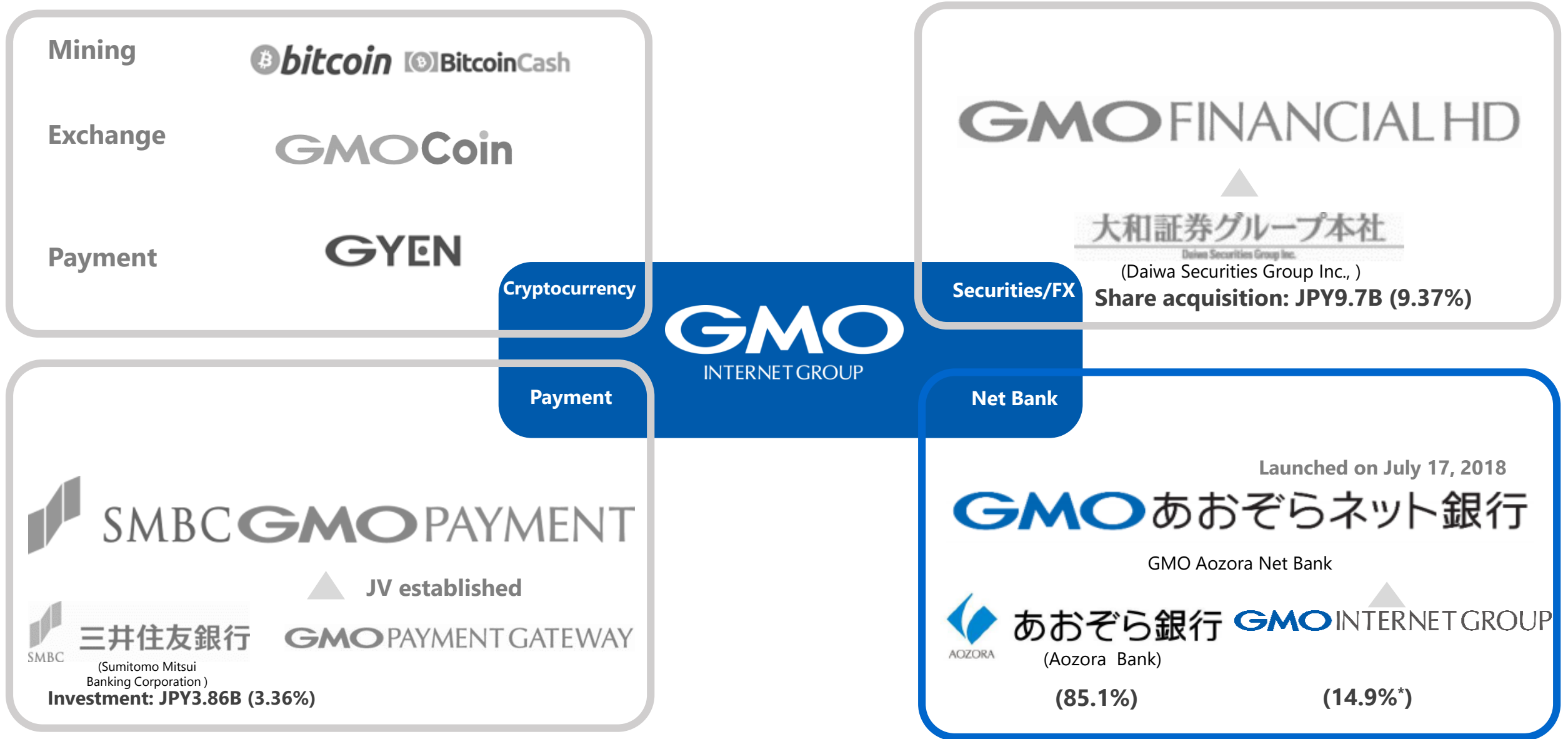
- Mining: secured the power supply and the land. Started building data centers. Hash rate is expected to bottom out in Q4 and increase at the beginning of 2020.
- Exchange: expand the domestic market share by offering thin spreads. Applied to offer additional types of cryptocurrencies.

Mid- to long-term strategies

- Mining: profit contribution through low-cost strategies
- Exchange: apply our knowledge of FX to expand the domestic market share
- Payment: launch a Japanese yen-pegged currency "stablecoin"

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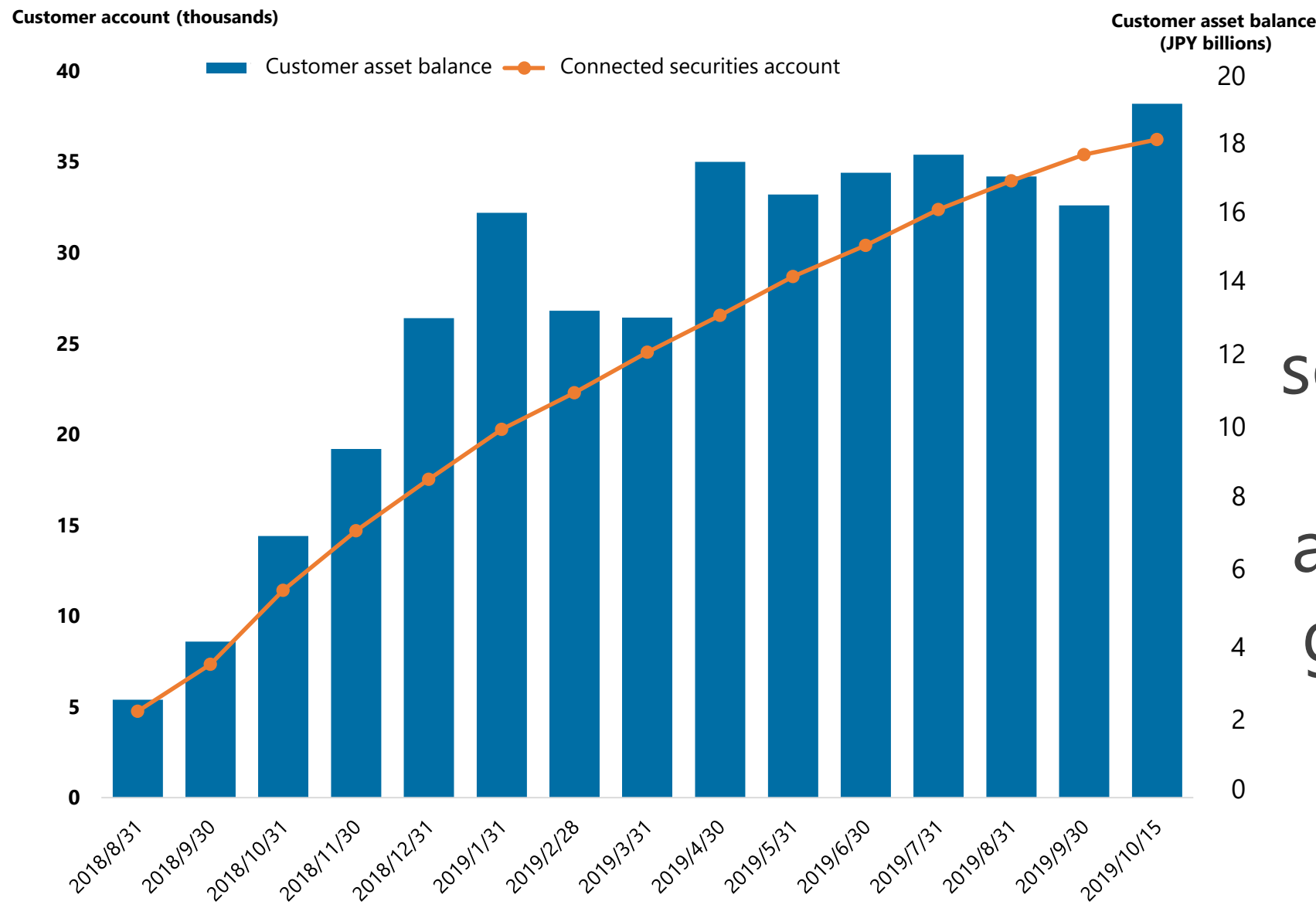
Finance, Payment, and Cryptocurrency



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Net Bank | Connected securities account and customer asset balance

GMOCLICK SECURITIES × GMO AOZORA NET BANK



Connected securities account and customer asset balance are growing steadily

- Bank API integration: expanded to 10 companies

Public connection (electronic payment agent)



zaim



Moneytree



Money Forward

Private connection

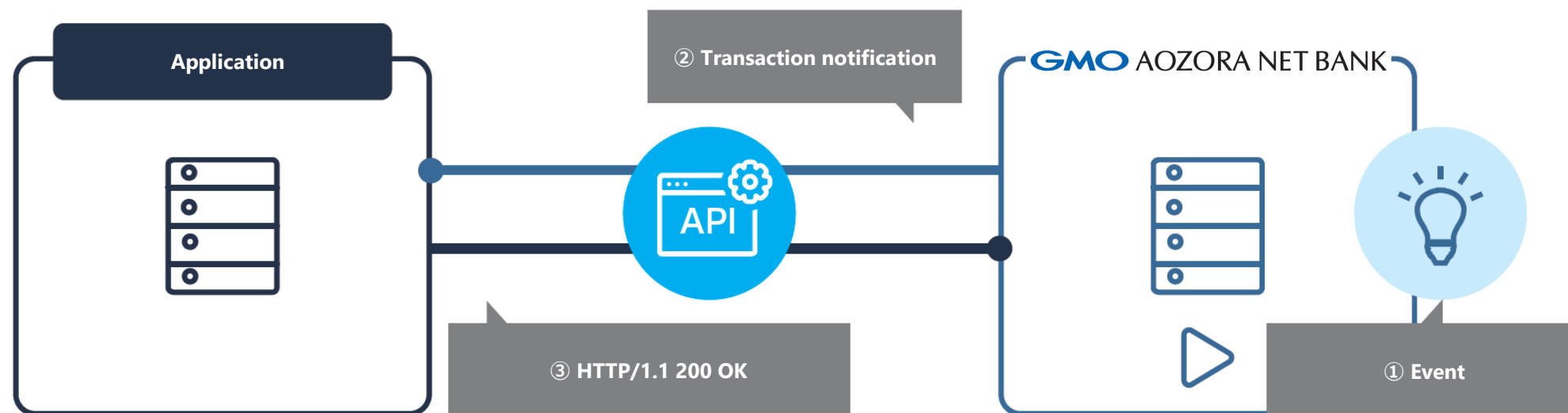


Coincheck



- Continue the development of API (webhook function, etc.)

Webhook ▼

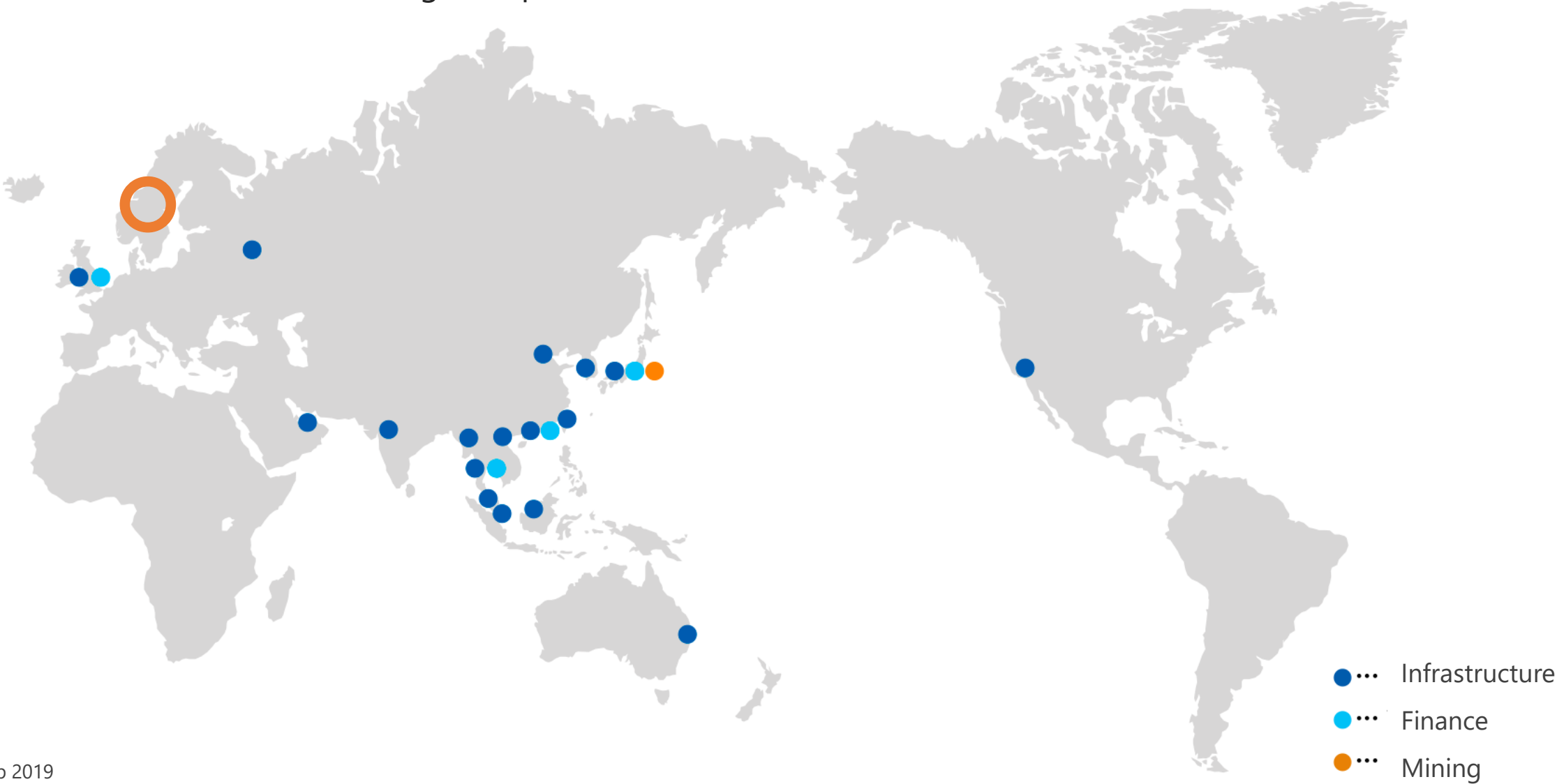


Become No. 1 in terms of the number of bank API connection

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Global Operations | Locations

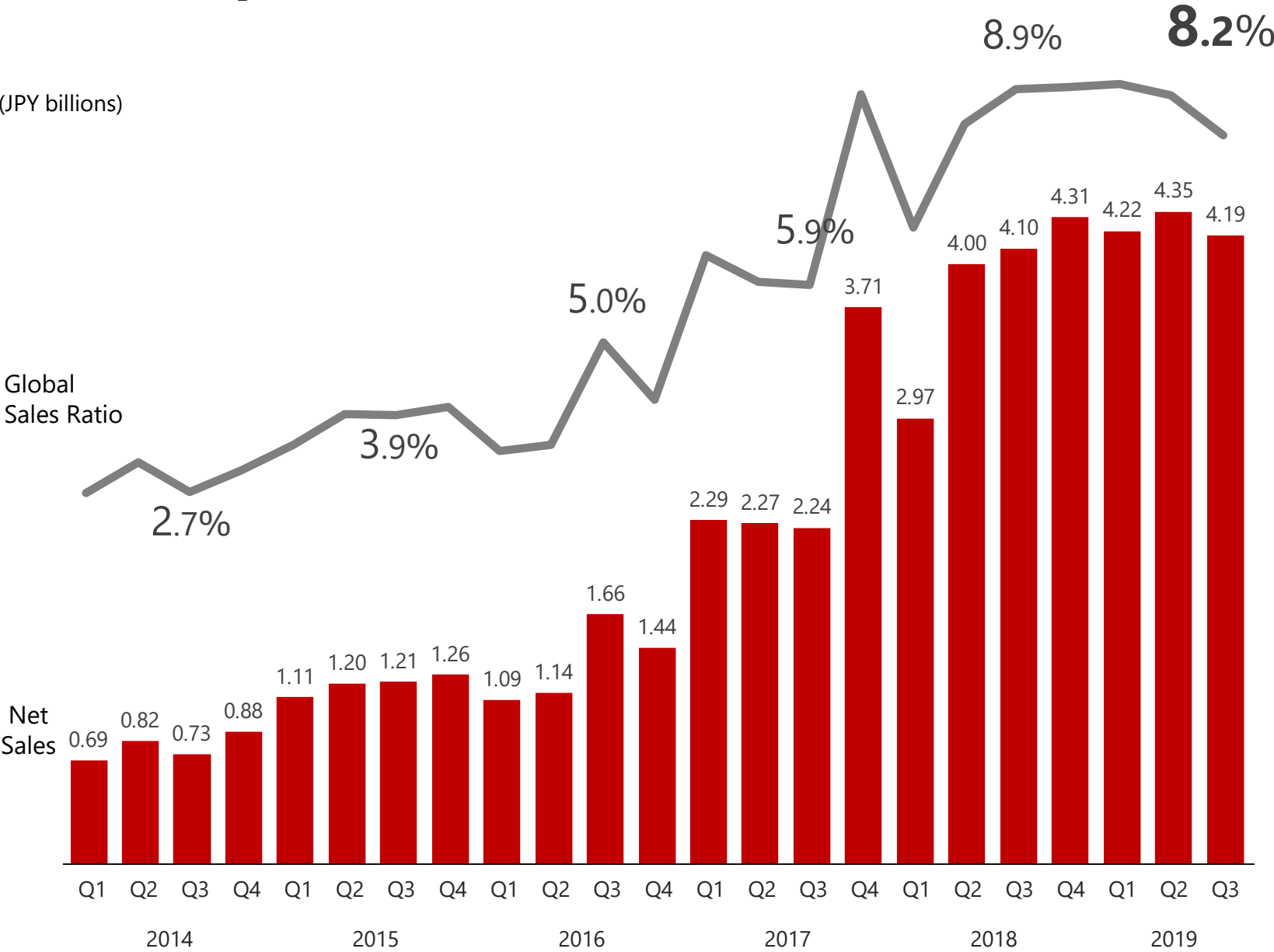
23 countries, 70 locations, 1,480 global partners ("staffs")




*As of Sep 2019

Global Operations | Global Net Sales

(JPY billions)



2.1%
YoY growth



Aim to increase our overseas sales ratio to 50%



Internet for Everyone

GMO



We are planning on making an earnings announcement for FY2019 after 3 pm on February 12, 2020.

This document includes projections based on expectations, premises and plans as of November 12, 2019. These projections may differ from actual results due to factors including changes in the global economy, competition, exchange rate fluctuations, market cap of cryptocurrency, natural disasters and other unforeseeable events. Some of the figures given, such as market share are based on our own calculations. These figures may differ from research agency figures.

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